

Employment Disputes in International Financial Centers: Specific Features of Legal Regulation and Dispute Resolution Practice (Based on The Examples of the UAE, Kazakhstan, And Uzbekistan)

R.V. Udras

Director of the Legal Support and Compliance Department, ADM Global LLC, Republic of Uzbekistan. Master of Laws, Uzbekistan

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Abstract

The article is devoted to a comprehensive analysis of the legal regulation and practice of resolving employment disputes in international financial centers (IFCs) — special jurisdictional zones operating under an autonomous legal regime, predominantly Anglo-Saxon in nature, which is separate from the national labor legislation of the host state. Using the Dubai International Financial Centre (DIFC), the Astana International Financial Centre (AIFC, Republic of Kazakhstan), and the Tashkent International Financial Centre (TIFC) as examples, the article examines the sources governing employment relations and the institutional architecture for dispute resolution (courts, small claims tribunals, and mediation). The article substantiates the conclusion that the separate labor law regimes of IFCs constitute a distinct form of enclave regulation, combining flexibility and predictability for international business with the preservation of judicial, rather than arbitral, oversight of the lawfulness of termination of employment and discrimination.

Keywords: Employment disputes; international financial centers; DIFC; AIFC; TIFC; labor law; dispute resolution; employment tribunal; mediation; arbitration; special economic zones.

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1. Introduction

The establishment of international financial centers (hereinafter referred to as “IFCs”) has become one of the notable trends of recent times. The Dubai International Financial Centre (DIFC), the Astana International Financial Centre (AIFC), and the Tashkent International Financial Centre (TIFC) were established as separate territorial and legal entities designed to attract foreign capital and professional talent by providing a predictable

legal environment predominantly based on Anglo-Saxon legal sources. The regulation of employment relations occupies a special place within the architecture of such centers.

On the one hand, IFCs are oriented toward the international labor market and seek to provide employers with flexibility comparable to that available in leading foreign jurisdictions. On the other hand, the need to protect employees’ rights requires the preservation of effective institutional mechanisms for dispute resolution.

This gives rise to a specific combination of the autonomy of the substantive labor law of IFCs and, at the same time, the preservation of an exclusively judicial (rather than arbitral) procedure for the protection of employment rights, which is of independent scholarly interest.

The relevance of the subject is also attributable to the fact that the practice of leading IFCs continues to evolve: in particular, in 2025, the DIFC adopted a new procedural practice direction that significantly changed the rules governing the allocation of legal costs and the public nature of hearings in employment disputes, while in the AIFC, a new Chief Justice was appointed in 2023 and the body of case law continues to develop.

In turn, the Tashkent International Financial Centre, newly established in 2026, has not yet had sufficient time to develop its own established dispute resolution practice, which is also of considerable scholarly interest and relevance for the purpose of examining the possibility of applying existing international experience. An analysis of this issue makes it possible to identify common patterns in the evolution of enclave-type labor law regimes and to assess the potential for adopting individual elements of such regulation.

The purpose of this article is to provide a comprehensive analysis of the legal regulation of employment relations and the institutional mechanisms for resolving employment disputes in international financial centers, using the DIFC, AIFC, and TIFC as examples, as well as to identify the common trends and specific features of these models.

Institutional Framework for Dispute Resolution

In legal terms, an international financial center is generally understood not so much as an economic and geographical concept, but rather as a special legal regime introduced by the state within a limited territory (free zone) for the purpose of creating favorable conditions for financial activities, investment, and professional services. One of the elements of the institutional framework of a financial center is its judicial body, which is empowered to resolve disputes, including employment disputes.

Thus, the DIFC operates within the territory of Dubai (UAE) pursuant to specific laws of the Emirate and federal legislation granting the Centre its own legislative, judicial, and regulatory autonomy. At the same time, the DIFC is not subject to UAE Federal Labour Law No. 8 of 1980, but is governed by its own Employment Law

(DIFC Employment Law). Similarly, the AIFC, established in the Republic of Kazakhstan, operates on the basis of a constitutional law providing for the application within its territory of the principles and rules of English law, including the procedural framework governing the activities of the AIFC Court and the International Arbitration Centre (IAC).

A similar principle applies in the Tashkent International Financial Centre, where the Tashkent International Commercial Court has been established in accordance with the Constitutional Law.

A common feature of the models under consideration is their reliance on the principles of common law in formulating both substantive rules of labor law and procedural rules governing dispute resolution.

The judges of the higher courts of these centers are generally serving or retired judges of the English courts. Thus, since November 2023, the Chief Justice of the AIFC Court has been Lord Ian Burnett, formerly Lord Chief Justice of England and Wales, while his predecessor was Lord Jonathan Mance, former Deputy President of the Supreme Court of the United Kingdom.

Such continuity in terms of both judicial personnel and legal substance with the English legal tradition is intended to ensure predictability in the application of law for foreign investors and employers accustomed to the relevant standards of doing business. At the same time, this gives rise to a certain degree of legal separation of IFCs not only from national labor legislation, but also from the established judicial practice of the host country in employment cases, which requires specific examination of the relationship between the respective jurisdictions.

Mechanisms for Resolving Employment Disputes

The central element of the employment dispute resolution system in the DIFC is the DIFC Courts, which include the Court of First Instance and the specialized Small Claims Tribunal (SCT). The latter considers claims of limited monetary value under a simplified procedure, making it the most frequently used forum for typical employee claims for unpaid wages, termination compensation, and other payments. Proceedings are conducted in English, which is regarded as one of the DIFC's competitive advantages over the UAE's mainland judicial system, where proceedings are generally conducted in Arabic.

Decisions of the Small Claims Tribunal may be appealed to the Court of First Instance, while decisions of the latter may be appealed to the DIFC Court of Appeal, thereby providing a multi-tier system for reviewing the legality of judicial decisions. Claims arising from employment disputes must be brought within a six-month limitation period, generally calculated from the date of termination of employment or from the occurrence of the relevant violation.

A similar function within the AIFC system is performed by the AIFC Court, which hears disputes falling within its jurisdiction in accordance with procedural principles and rules of English law. The AIFC dispute resolution infrastructure comprises the Court itself and the International Arbitration Centre (IAC); however, as demonstrated below, the delineation of their respective jurisdiction over employment disputes is of fundamental importance.

In the Republic of Uzbekistan, employment disputes fall within the jurisdiction of the Tashkent International Commercial Court, which is the judicial body of the Financial Centre and exercises exclusive judicial authority. The Court consists of two instances — the Court of First Instance and the Court of Appeal.

Judges of the Tashkent International Commercial Court are appointed by the President of the Republic of Uzbekistan upon the recommendation of the Chief Justice, specifying the required number of judges. A citizen of any state may serve as a judge of the Tashkent International Commercial Court. They enjoy judicial independence, guarantees, immunity, benefits, and conditions of service at the level established for judges under the legislation of the Republic of Uzbekistan.

The DIFC Courts consistently encourage the use of mediation as a means of resolving employment disputes, reflecting the general trend in common law jurisdictions toward reducing the burden on the judicial system and accelerating the resolution of conflicts. A significant proportion of employment disputes in the DIFC are resolved at an early stage through negotiations and conciliation procedures without proceeding to a full court hearing.

Unlike the DIFC, where recourse to mediation is predominantly voluntary and encouraged rather than mandatory, the AIFC system includes the International Arbitration Centre, which administers disputes not only under its arbitration rules but also under its mediation

rules, thereby formally expanding the range of alternative dispute resolution mechanisms available to parties to employment relations within this jurisdiction.

Analysis of Judicial Practice and Precedents

Since 2018, the AIFC Court and IAC have resolved more than 2,100 cases, with employment disputes accounting for 15% of all cases and Kazakh law being predominantly applied in 97.5% of cases. More than 286 decisions have been rendered in various categories of employment disputes.

The principal categories of employment disputes considered by the AIFC Court include disputes concerning wrongful or constructive dismissal, i.e., disputes involving termination of an employment contract without proper notice or grounds; discrimination disputes (direct/indirect discrimination), including differences in remuneration between categories of employees; and disputes concerning breaches by the parties of the terms of an employment contract (breach of employment contract).

Among the most notable and illustrative employment cases heard by the AIFC Court between 2018 and 2026 are the following:

For example, one of the most prominent cases concerning discrimination in remuneration was *Askhat Serkbayev v. China Construction Bank Corporation Astana Branch* (AIFC-C/SCC/2024/0041, judgment dated March 14, 2025; appeal AIFC-C/CFI/2025/0010, permission to appeal refused on August 8, 2025).

The former bank employee claimed that he had been subjected to discrimination: his salary was lower than that of colleagues transferred from China, and his fixed-term employment contract was not renewed.

The Court distinguished direct discrimination. The judge found that the difference in remuneration was justified by the need to incentivize the relocation of employees from China — the claim was dismissed, and the appeal was likewise dismissed as having no reasonable prospect of success. The case became a key precedent for the interpretation of the anti-discrimination provisions of the AIFC Employment Regulations.

In the case concerning dual employment and employee status, *Nursultan Aliyev v. Proportunity Management Company Limited* (Small Claims Court, Case No. 2/2020). The claimant, a lawyer by training who represented himself, sought compensation for dismissal

without notice and the unpaid portion of his salary.

This case is noteworthy because it became one of the first employment disputes considered by the AIFC Small Claims Court and established a procedural framework for subsequent cases of this kind. The claimant argued that he had effectively worked simultaneously for two employers and was entitled to two full salaries and two periods of annual leave at the same time. The Court found this implausible and awarded compensation only for part of the relevant period — approximately KZT 6.7 million for unpaid salary and unused annual leave — but rejected the claim for compensation for moral damage, referring to a resolution of the Supreme Court of the Republic of Kazakhstan concerning the specific definition of “moral damage.”

The most frequently encountered cases also include those involving wrongful and constructive dismissal, unpaid wages and holiday pay, dismissal during a probationary period, as well as disputes concerning an employer’s improper performance of its social obligations.

A fundamental feature of the DIFC legal regime, unlike that of the AIFC, is the express statutory prohibition on the arbitration of employment disputes. The DIFC Employment Law is mandatory in nature and must be applied to employment relations; consequently, the relevant disputes are subject exclusively to the jurisdiction of the DIFC Courts. An arbitration clause in an employment contract, even where agreed by the parties, cannot serve as a basis for referring the dispute to an arbitral tribunal. This rule applies both to claims for recovery of outstanding amounts and to discrimination claims and other categories of employment disputes.

In this regard, several particularly notable and high-profile cases deserve attention.

Mahmood v. Standard Chartered Bank DIFC [2021] DIFC CFI 044 is, in the author’s view, the leading precedent on discrimination and the first case in which the DIFC Court examined in detail the provisions on discrimination and victimisation (Part 9 of DIFC Employment Law No. 2 of 2019).

The claimant, the Head of Islamic Banking Compliance, alleged that he had been subjected to less favourable treatment and dismissed on the grounds of race and/or nationality, and that he had been victimised for making a disclosure protected by law.

The case was heard by Chief Justice Wayne Martin, who

delivered a detailed 188-page judgment that became a key authority on the interpretation of the burden of proof in discrimination cases.

The Court ruled in favour of the bank, finding no grounds to conclude that the treatment of the claimant had been racially motivated. The proceedings were ultimately concluded by settlement in 2024.

The Industrial Group Limited v. Abdelazim El Sheikh El Fadil Hamid [2022] DIFC CA 005/006 concerned a claim for payment of a substantial penalty for delay in making the final settlement upon termination of employment.

In this case, the employee was dismissed for misappropriating company funds, following which the employer brought a claim for recovery, while the employee filed a counterclaim exceeding AED 52 million (USD 14 million) for amounts unpaid upon termination, malicious prosecution, and abuse of process. The Court of First Instance awarded a penalty of AED 7.5 million under the previous version of the Employment Law, which had been in force until 2019, finding that the entitlement to the penalty had arisen and continued to accrue during the course of the dispute.

The appellate court reduced the penalty to AED 2.4 million, holding that the accrual of the penalty ceased when the new version of the law came into force in 2019.

This case is of particular interest from the perspective of the Court’s application of time limits in an employment dispute between an employee and an employer. In *Omar Ben Hallam v. Natixis* (2026), a claim for wrongful dismissal, discrimination, victimisation, and breach of contract was dismissed by the Court of First Instance. The Court also granted immediate judgment in favour of the defendant in respect of the claim for holiday pay. An important conclusion in the case was that the Court confirmed that the DIFC Employment Law does not recognise the concept of “wrongful dismissal” — termination is governed by Article 62 as termination “for cause” or “without cause.”

The judicial practice of the Tashkent International Commercial Court has not yet been established; however, international experience will undoubtedly be useful in developing the Court’s own procedural rules and regulatory framework.

2. Conclusions and Proposals for the Tashkent IFC

An analysis of the models considered above makes it possible to identify a number of problematic aspects requiring further attention and study.

First, the issue of delineating jurisdiction between the courts of IFCs and national (mainland) judicial systems remains relevant in cases where employment relations are of a mixed nature or where an employee actually performs duties both within and outside the boundaries of an IFC.

Second, the analysis demonstrates that the AIFC still faces the challenge of developing a sufficiently substantial body of its own case law on employment disputes, which would reduce its dependence on English precedents and enable it to establish an independent interpretative tradition that takes regional specificities into account. Given the similar characteristics involved, it may be confidently concluded that comparable risks may also arise for the TIFC. In this regard, it is also recommended that the regulations of the Tashkent International Arbitration Court expressly establish, as a mandatory requirement, the application of the national labor legislation of the Republic of Uzbekistan.

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