



Update on the New UAE Commercial Companies Law

Today, we would like to provide you with an update on current developments regarding the new United Arab Emirates' ("UAE") Commercial Companies Law (Federal Law No. 2 of 2015, "new CCL").

1. Extension of Deadline

The new CCL came into effect on 01.07.2015. It requires all companies established in the territory of the UAE to adjust their Memorandum and Articles of Association ("MoA & AoA") to the provisions of the new CCL. Initially, companies had to implement the new regulations by 30.06.2016.

Taking into account that necessary amendments of the MoA & AoA involve a relatively high expenditure in terms of time and logistics, an extension of one more year was announced at the end of June 2016. The new deadline will allow existing companies that have not yet complied with the new CCL to adjust their MoA & AoA until 30.06.2017.

2. Specifications concerning the new CCL

In addition, Ministerial Resolution No. 272 of 2016 ("Resolution") was issued recently to address questions regarding the applicability of the new CCL on limited liability companies ("LLCs"). The need for clarification has mainly arisen from one provision of the new CCL stating that provisions relating to public joint stock companies ("PJSCs") shall generally apply to LLCs as well. This rather unspecific referral has led to ambiguities regarding the applicability of provisions relating to PJSCs to LLCs. The Resolution provides guidance on some of these questions. At the same time, however, it has raised new concerns. Amongst others, it is subject to debate whether a ministerial resolution can take precedence over a federal law.

The Resolution expressly sets out a list of provisions concerning PJSCs that shall apply to LLCs, whilst other provisions shall expressly be excluded from being applied to LLCs. Furthermore, the Resolution establishes new legal obligations for LLCs. On the one hand, the Resolution clearly stipulates, for example, that the prohibition to grant financial assistance for the acquisition of shares of PJSCs shall not be applicable to LLCs. On the other hand, various provisions relating to auditing and general assembly meetings shall apply to LLCs. Additional

provisions of the Resolution specify further requirements for auditing and general assembly meetings. For instance, the auditor of an LLC shall need to attend the LLC's annual general assembly meeting and read out his report. Moreover, the LLC shall have to file its audited accounts with the competent authority within seven days from the annual general assembly meeting.

The examples mentioned above illustrate that the legal obligations for LLCs might have been further tightened. Therefore, shareholders and general managers are well advised to familiarize themselves with the new rules in order to be able to implement them in everyday corporate practice.

Do you have questions? - We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than a decade. Our areas of expertise include business set ups, corporate and commercial law, commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!