Federal Law by Decree No. (26) of 2020
Amending Certain Provisions of Federal Law No. (2) of 2015
on Commercial Companies

We, Khalifa bin Zayed Al Nahyan President of the UAE,

- Upon reviewing the Constitution;
- Federal Law No. (1) of 1972 on the Competencies of the Ministries and the Powers of the Ministers, as amended;
- Federal Law No. (5) of 1975 on the Commercial Register;
- Federal Law No. (5) of 1985 Issuing the Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 Issuing the Penal Code, as amended;
- Federal Law No. (11) of 1992 Issuing the Civil Procedure Law, as amended;
- Federal Law No. (35) of 1992 Issuing the Penal Procedure Law, as amended;
- Federal Law No. (37) of 1992 on the Commercial Transactions Law, as amended;
- Federal Law No. (18) of 1993 on the Commercial Transactions Law, as amended;
- Federal Law No. (24) of 1999 on the Protection and Development of the Environment, as amended;
- Federal Law No. (4) of 2000 on the Emirates Securities and Commodities Authority and Market, as amended;
- Federal Law No. (7) of 2002 on Copyright and Related Rights;
- Federal Law No. (17) of 2002 on the Regulation and Protection of Industrial Patents, Drawings, and Designs;
- Federal Law No. (8) of 2004 on the Financial Free Zones;
- Federal Law No. (17) of 2004 on Combating Commercial Concealment;
- Federal Law No. (1) of 2006 on Electronic Transactions and Commerce;
- Federal Law No. (24) of 2006 on Consumer Protection, as amended;
- Federal Law No. (6) of 2007 on the Establishment of the Insurance Authority and the Regulation of its Operations, as amended;
- Federal Law No. (4) of 2012 on the Regulation of Competition;
- Federal Law No. (2) of 2014 on Small-Sized Projects and Businesses;
- Federal Law No. (12) of 2014 Regulating the Profession of Auditors;
- Federal Law No. (2) of 2015 on Commercial Companies, as amended;
- Federal Law by Decree No. (9) of 2016 on Bankruptcy, as amended;
- Federal Law No. (14) of 2016 on Administrative Violations and Sanctions in the Federal Government;
- Federal Law No. (17) of 2016 Establishing Mediation and Conciliation Centres for Civil and Commercial Disputes;
- Federal Law No. (19) of 2016 on Combating Commercial Fraud;
- Federal Law No. (7) of 2017 on Tax Procedures;
- Federal Law by Decree No. (8) of 2017 on VAT;
- Federal Law No. (6) of 2018 on Arbitration;
- Federal Law by Decree No. (14) of 2018 on the Central Bank and the Regulation of Financial Institutions and Activities;

- Federal Law No. (19) of 2018 on Combating Money Laundering and the Financing of Terrorism and Illegal Organisations;
- And based on the proposal of the Minister of Economy, and the approval of the Cabinet;

Have promulgated the following Law:

Article One

The texts of Articles Nos. (4), (6), (10), (11), (71), (72), (73), (92), (93), (96), (101), (104), (112), (118), (121), (123), (139), (144), (151), (152), (153), (162), (166), (172), (174), (176), (180), (181), (182), (184), (186), (193), (194), (197), (204), (219), (222), (224), (227), (229), (230), (232), (238), (243), (255), (257), (279), (292), (293), (302), and (357) of the aforementioned Federal Law No. (2) of 2015 shall be replaced with the following:

Article (4)

Companies Exempted from the Provisions of this Law

1. Except for registration and registration renewal in the register of exempted companies at the Ministry, the Authority and the competent authority, each according to its jurisdiction, the provisions of this Law shall not apply to the following:
a. Companies exempted under a Cabinet resolution, and anything for which a special provision to that effect is contained in the company's memorandum or articles of association, according to the controls issued by a Cabinet resolution.
b. Companies owned in full by the federal or local government or any of the institutions, entities, bodies or their subsidiary companies; as well as any other companies owned in full by such authorities or their subsidiaries if a special provision to that effect is contained in their memorandum or articles of association.
c. Companies operating in oil exploration, drilling, refining, manufacturing, marketing and transportation in the energy sector (in all its forms), or in electricity generation, gas production and water desalination, transmission and distribution, towards which the federal or local government or any of the institutions, entities, bodies or companies subsidiary to them, directly or indirectly contribute at least 25% of its capital, if a special provision to this effect is contained in the memorandum or articles of association of such companies.
d. Companies exempted from the provisions of Federal Law No. (8) of 1984 on Commercial Companies (and its amendments) prior to the effective date of the provisions of this Law, if a special provision to this effect is contained in the memorandum or articles of association of such companies.
e. Companies exempted from the provisions of this Law under special federal laws.
2. The companies mentioned in Clauses 1/b, c and d of this Article must adjust their position in accordance with the provisions of this Law if such companies sell or offer any percentage of their capital at a public offering or list their shares in any of the financial markets in the State.

Article (6)

Corporate Governance

1. Subject to the requirements of the Central Bank with regard to the financial institutions under its supervision, the Minister shall issue the resolution regulating the governance of companies, except for public joint stock companies. The Board of Directors of the Authority shall issue the resolution regulating their governance. The governance resolution shall include the rules, controls and provisions to which the companies must adhere.
2. The board of directors of a company or its managers, as the case may be, shall be responsible for applying the rules and standards of governance.

Article (10)

Activities with Strategic Impact

1. A committee, whose membership includes representatives from the competent authorities, and which is competent to propose activities with a strategic impact and the controls required to license the companies that undertake any of these activities, shall be formed by a resolution from the Cabinet upon a proposal from the Minister.
2. The Cabinet, upon a recommendation from the committee stipulated in Clause (1) of this Article, shall issue a resolution defining the activities with a strategic impact and the controls for licensing the companies that undertake any of these activities.
3. Whilst taking into account the competencies prescribed for the Cabinet as per Clause (2) of this Article, the competent authority shall have the following powers:
a. Determining a certain percentage for the contribution of nationals to the capital or the boards of directors of all companies incorporated within the scope of its competence.
b. Approving the applications for the incorporation of companies and identifying the fees as per the controls adopted by the Cabinet and mentioned in Clause (2) of this Article, whilst taking into account the provisions stipulated in this Law with regard to joint-stock companies.
4. The Cabinet may – upon a request from the Ministry, the concerned body or competent authority, as the case may be – exclude any company organising its activities under special legislation, from any term or provision that stipulates the percentage of ownership of nationals or their involvement in the management of this company.

Article (11)

Practice of the Activity

1. The company must obtain all the approvals and licences required to undertake the activity in the State prior to the commencement of its activity.
2. A company incorporated inside the State must commence its main activities in the State. It shall be permitted for the company to conduct its activity outside the State if such is provided for by its memorandum of association.
3. The Cabinet shall issue a resolution determining the formation and qualifications of the members of the internal shariah control committees and the shariah controller of companies incorporated inside the State which conduct their activities in accordance with the provisions of Islamic shariah. The resolution shall determine the controls of operation of such committees.

Such companies must obtain the approval of the internal shariah control committees following their incorporation and prior to the commencement of their activities.

4. Only public joint stock companies may conduct banking and insurance activities, unless the laws regulating such activities or the resolutions issued thereunder stipulate otherwise.

Article (71)

Definition of the Company

1. A limited liability company is a company where the number of partners is at least two but shall not exceed fifty (50). A partner shall be liable only to the extent of their share in the capital.
2. A single natural or legal person may incorporate and own a limited liability company. The owner of the capital of the company shall not be liable for the obligations of the company other than to the extent of the capital as set out in its memorandum of association. The provisions of the limited liability company contained in this Law shall apply to such a person, without contradicting the nature of the company.

Article (72)

Name of the Company

1. A limited liability company shall have a name derived from its objective or from the name of one or more of its partners, provided that the name of the company shall be followed by the phrase "Limited Liability Company" or in short "LLC". In the case of sole proprietorship, the name of the company must be accompanied by the phrase "sole proprietorship with limited liability". The Cabinet may – upon the proposal of the Minister – issue a resolution on the procedures for incorporating and managing the sole proprietorship "limited liability" company, consistent with its nature.
2. If the manager, or managers, contravene the provision of Clause (1) of this Article, they shall be liable in their private and joint assets for the obligations of the company and, where applicable, for the damages.

Article (73)

Memorandum of Association and Incorporation Procedures of the Company

1. The limited liability company shall be incorporated as set forth in Articles (42) and (43) of this Law.
2. The memorandum of association must include the methods for settling disputes that arise from the affairs of the company, whether between the company and any of its managers or among the partners in the company.

Article (92)

Forming and Convening the General Assembly

1. The limited liability company shall have a general assembly made up of all the partners. The general assembly shall be convened by an invitation from the manager or the board of directors at least once in a year during the four months following the end of the company's fiscal year. The general assembly shall be convened at a time and place as set out in the letter of invitation to convene the meeting.

2. The manager, or the person authorised by the managers, must invite the general assembly to convene upon the request of one or more partners who hold at least 10% of the shares of the company's capital.

Article (93)

Notification of the Invitation to the General Assembly Meeting

1. With exception to the general assembly being adjourned due to the absence of a quorum, in accordance with the provisions of Article (96) of this Law, invitation to convene the general assembly may be given according to the controls and terms issued by a resolution of the Minister, whilst taking into account the following:

a. The notification of invitation of the general assembly shall be sent at least twenty-one (21) days prior to the date of meeting.

b. The notification of invitation to the meeting shall be sent in accordance with the notification method issued by a resolution from the Minister.

c. The partners shall be notified by registered letters or through modern technological means stipulated in the company's memorandum of association.

d. The competent authority shall be informed, before the notification, with a copy of the invitation papers for the meeting of the general assembly.

2. The notification of invitation must include the agenda, place, date and time of the first meeting and the second meeting (in the event of the absence of a quorum to validate the first meeting). In addition, it shall indicate who holds the right to attend the general assembly and the permissibility of delegating whoever they select from the partners (other than the managing partners) or from third parties under a special written power of attorney; their eligibility to discuss the matters listed in the agenda of the general assembly, and to question the manager or the board of directors, the auditor, the quorum required for each of the meetings of the general assembly and the resolutions issued therein.

3. It shall be permitted for meetings of the general assembly to be held and for the partner to participate in its deliberations and vote on its resolutions through modern technological means of telepresence according to the controls set forth by the Minister in this regard.

Article (96)

The Quorum for Convening the General Assembly and Voting on its Resolutions

1. Unless the company's memorandum of association determines a greater percentage, the quorum for a valid meeting of the general assembly shall be the attendance of partners who hold at least 50% of the shares of the company's capital, whilst taking into account the provision of Article (95) of this Law.

2. If the quorum as set forth in Clause (1) of this Article is not present at the first meeting, the general assembly must be invited to a second meeting to be held within at least five (5) days (or a maximum of fifteen (15) days) from the date of the first meeting. The second meeting shall be deemed valid no matter the number of attendees, unless the memorandum of association stipulates the attendance of a certain percentage of shares of the capital.
3. Taking into account the provisions of this Law, the resolutions of the general assembly shall only be valid if they are issued by a majority of the shares represented in the meeting, unless the memorandum of association stipulates a greater majority.

Article (101)

Amending the Memorandum of Association and Increasing or Decreasing the Capital

1. With exception to the provision of Article (85) of this Law, the company's memorandum of association may not be amended and its capital may not be increased or decreased unless agreed by a number of partners who hold at least three quarters of the shares represented at the meeting of the general assembly. The rate of this increase or decrease shall be according to the shares of the partners in the company. Notwithstanding, the financial obligations of the partners may not be increased other than by their unanimous consent.
2. If the increase in the company's capital is necessary to save the company from liquidation or to settle debts owed to a third party, based on a report of the company's financial manager or their delegate, and the company does not have sufficient liquidity to settle such debts or to achieve the rate stipulated in Clause (1) of this Article, any partner has the right of recourse to the courts for an urgent judgement to increase the capital as necessary to save the company or settle the debts. In the event it is not possible for any partner to settle the obligations resulting from the increase, any other partner has the right to settle on their behalf. In such a case, a number of shares in the company equal to the amount they paid for themselves and for the other partner shall be accounted for them.

Article (104)

Application of the Provisions of Joint Stock Companies

1. Unless otherwise provided by this Law, the provisions concerning joint stock companies shall apply to the limited liability company, and which are consistent with its nature. The competent authority shall replace the Authority wherever it is mentioned.
2. The Cabinet shall issue, upon a proposal of the Minister, a resolution containing the provisions to be applied to limited liability companies in cases where the provisions of the joint stock company are not compatible with the nature of the limited liability company, without violating or contradicting the provisions of this Law. Provided that the resolution shall determine the meaning of the relevant parties and the deals with regard to limited liability companies.

Article (112)

Founders' Committee

1. The founders shall choose from among them a committee to be called the "Founders' Committee", consisting of at least three members to manage the procedures of incorporating the company. The committee shall be responsible for the accuracy, validity and completion of all the documents, studies and reports provided to the relevant entities.
2. It shall be permitted for the Founders' Committee to delegate one of its members or a third party to monitor and complete the incorporation procedures with the Authority and the competent authority according to the controls established by the Authority in this respect.
3. The Founders' Committee must appoint a financial consultant, a legal consultant and an auditor for underwriting.

Article (118)

Valuation of Shares in Kind

1. It shall be permitted for the founders of the company to provide in-kind shares in consideration of their shares in the company, and which shall be valued at the expense of those providing them.
2. The shares in kind shall be valued according to the controls and procedures issued under a resolution from the Authority in this regard.
3. The evaluator may inspect any information or documents they deem necessary to carry out the required valuation and to prepare the report efficiently. The Founders' Committee or the Board of Directors, as applicable, shall take the required procedures to provide the evaluator with the required information, papers and documents as soon as possible from the date of the application.
4. The Founders' Committee and the Board of Directors, if applicable, shall be fully responsible for the accuracy, adequacy and completion of the statements and information. The evaluator must perform due diligence in carrying out their duties.
5. The Authority may discuss and object to the valuation report. It shall be permitted for the Authority to appoint another evaluator, if required, and at the cost of the company under incorporation.
6. It shall be permitted for the share or shares in kind provided by a public person to be a concession or a right to use some public funds.

Article (121)

Invitation to Public Offering

1. The prospectus shall be signed by the Founders' Committee and the board of directors, if applicable, and they shall be responsible for the validity of the data and information set out in this prospectus. The consultants and parties involved in the public offering and their representatives shall perform due diligence and each of them shall be responsible for fulfilling their duties.

2. Invitation to the public offering shall be made by a prospectus to be published in two daily local newspapers, one of them to be issued in Arabic, at least five working days prior to the start date of the offering.
3. Subscription to the shares shall be in accordance with an application the details of which will be determined by the Authority. This application shall include, specifically, the name, purpose and capital of the company, the conditions of subscription, the name, address in the State, profession and nationality of the subscriber, the number of the shares in which they wish to subscribe, and their undertaking to accept the provisions of the memorandum and articles of association of the company.

Article (123)

Underwriter

1. Without prejudice to the provisions of Article (10) of this Law, it shall be permitted for the company to have, upon incorporation or upon increasing its capital, one or more underwriters approved by the Authority in accordance with the conditions, controls and procedures issued by a resolution from the Authority.
2. A resolution shall be issued by the board of directors of the Authority with the controls and conditions for the practice of underwriting in the State.

Article (139)

Amendment to the Company's Memorandum of Association or Articles of Association

Subject to the provisions of this Law, the company may, with the consent of the Authority, issue a special resolution to amend its memorandum of association or articles of association. The company must provide the competent authority with a copy of this resolution.

Article (144)

Electing Members of the Board of Directors

1. Subject to the provisions of Article (143) of this Law, the general assembly shall elect the members of the board of directors by way of cumulative secret voting. Notwithstanding this, it shall be permitted for the founders to appoint the members of the first board of directors in the company's articles of association.
2. Cumulative voting shall mean that each shareholder shall have a number of votes equivalent to the number of their shares so that they either give all their votes to one candidate for the membership of the board or distribute the votes among the nominated candidates, provided that the number of votes granted to the candidates does not exceed the number of votes owned by each shareholder.
3. Subject to the provisions of this Law and the company's articles of association, it shall be permitted for the members of the board of directors to be persons with expertise other than the shareholders.
4. Every company shall keep a register of the members and the secretary of the board of directors at its head office. The Authority shall determine the details that should to be present in this register.

5. The register of the members and the secretary of the board of directors of the company as set forth in Clause (3) of this Article must be made available for review by any shareholder or member of the board of directors of the company, free of charge during the working hours, subject to any reasonable restrictions as may be imposed by the company under the articles of association.

Article (151)

Nationality of the Members of the Board of Directors

Subject to the provision of Article (10) of this Law, any requirements set forth by the Cabinet or competent authority shall be taken into account in the formation of the board of directors. If the proportion of UAE nationals in the board of directors falls below what is necessary in the application of this Article, the deficiency must be filled within no later than three months, unless the resolutions of the board of directors shall be void upon the expiry of such period.

Article (152)

Dispositions Prohibited for Relevant Parties

1. Relevant parties are prohibited from using the information in their possession by virtue of their membership or position in the company in pursuit of their interest or that of others, as a result of dealing in the financial securities of the company and other transactions. In addition, it shall not be permitted for any of these parties to knowingly have a direct or indirect interest with any entity carrying out transactions intended to influence the rates of the financial securities issued by the company.
2. It shall not be permitted for the company to effect any deals with a relevant party not exceeding 5% of its capital without the consent of the board of directors. In addition, approval of the company's general assembly shall be required for any increase to this percentage after the deals have been valued in accordance with the controls and conditions approved under a resolution by the Authority.
3. It shall not be permitted for a member of the board of directors – without the consent of the general assembly of the company (to be renewed every year) – to participate in any business which is in competition with the company, or to trade for their own benefit or for the benefit of third parties in any branch of the activity conducted by the company. In addition, it shall not be permitted for a board member to disclose any information or data related to the company, otherwise the company may demand compensation or the resulting profits the member has earned as a result.
4. Prior to effecting a deal with the company, the relevant party is required to disclose to the board of directors the nature and terms of the deal and all essential information concerning their share or contribution to both companies, the two parties to the deal, and the extent of their interest or benefit therein.
5. When effecting deals with relevant parties, the chairman of the board of directors of the company must notify the Authority with a statement containing information about the relevant party, details of the deal, and the nature and extent of the relevant party's benefit from the deal.

In addition to any data, information or documents requested by the Authority, along with written confirmation from the relevant party that the terms of the deal are fair, reasonable and in favour of the company shareholders.
6. The relevant parties, transactions associated with interest conflict, duties of the party relevant to the company, as well as the deals, shall be defined according to the resolutions and regulations issued by the Authority.

Article (153)

Prohibition of Loans to Members of the Board of Directors

1. With exception to financial institutions subject to the control and supervision of the Central Bank, it shall not be permitted for a joint stock company to provide any loans to any member of its board of directors, enter into guarantees or provide any collateral in connection with any loans granted to them. Any loan granted to the spouse of the member to the board of directors, their children or relative up to the second degree shall be deemed a loan granted in accordance with the provisions of this Law.
2. It shall not be permitted for a loan to be granted to a company in which a member of the board of directors or their spouse, children or any of their relatives up to the second degree holds over 20% of its capital.
3. Any agreement that conflicts with the provisions of this Article shall be invalid. The auditor must refer, in their report to the general assembly of the company, to such loans and the credits granted to the members of the board of directors and the extent of the company's compliance with the provisions of this Article.

Article (162)

Responsibility of the Board of Directors and the Executive Management

1. The members of the board of directors and executive management shall be responsible towards the company, the shareholders and the third parties for all acts of fraud, misuse of power, and violation of the provisions of this Law and the articles of association of the company. Every condition to the contrary shall be invalid. The executive management shall be represented by the general director, CEO or the executive chairman of the company, their deputies, everyone in high executive positions, executive management officers and those appointed to their positions personally by the board of directors;
2. The responsibility as provided for in Clause (1) of this Article shall apply to all members of the board of directors if the error arises from a resolution that was passed unanimously by them. However, if the resolution was passed by majority, the members who objected to this resolution shall not be held liable provided they stated their objection in writing in the minutes of the meeting. If a member was absent from a meeting at which the resolution was passed, they shall not be absolved from liability unless it is proven that the absent member was not aware of the resolution or was aware of it but was unable to object. The responsibility cited in Clause (1) of this Article shall rest with the executive management if the error arises from a resolution passed by them.
3. Without prejudice to any penalty stipulated in this Law or any other law, any chairman or a member of the board of directors of the company or its executive management shall be deemed dismissed from their position by force of law if a final judgement is issued proving that they have

committed any act of fraud, misuse of power or have effected transactions or deals involving conflict of interest and in violation of the provisions of this Law or its executive resolutions. Such a person shall not be accepted for nomination to the membership of a board of directors of any joint stock company in the State, nor undertake any duties in the executive management in the company until at least three years have passed from the date of their dismissal. The provisions of Article (145) of this Law on occupying the new membership position in the company's board of directors shall apply. If all members of the company's board of directors are dismissed, the Authority must convene the general assembly in order to elect a new board of directors.

Article (166)

Shareholder's Lawsuits

1. It shall be permitted for the shareholder to file a lawsuit against the company, its board of directors and executive management before the competent court if damage is inflicted upon the shareholder as the result of an act by the company, its board or executive management that violates the provisions of this Law.
2. The shareholder shall have the right to recover from the company all the legal expenses which they have paid, represented by the judicial and attorney's fees for the lawsuit, in the event a final and conclusive judgement is issued for the lawsuit, whether the judgement is issued by the competent court for the shareholder (plaintiff) or against them, provided the following:
a. Submission of the documents supporting such legal expenses.
b. The lawsuit of the shareholder (the plaintiff) is not of malicious intent aimed at damaging the defendant or the company and its shareholders, or to defame, blackmail or affect the share rate in the financial market.

Article (172)

Notification of the Invitation to the General Assembly Meeting

1. With exception to the meeting of the general assembly being adjourned due to the absence of a quorum, in accordance with the provisions of Article (183) of this Law, invitation to convene the meeting of the general assembly may be given upon the approval of the Authority to all shareholders according to the controls and terms issued by a resolution of the Authority, whilst taking into account the following:
a. The notification of invitation of the general assembly shall be sent at least twenty-one (21) days prior to the date of meeting.
b. The notification of invitation to the meeting shall be sent in accordance with the notification method issued by a resolution from the Authority.
c. The shareholders shall be notified by registered letter or through the modern technological means as stipulated in the articles of association of the company.
d. The company shall notify the Authority and the competent authority with a copy of the notification on the date of the notification of the invitation.
2. The meeting invitation must include the agenda, place, date and time of the first meeting and the second meeting (in the event of the absence of a quorum to validate the first meeting). In addition, it shall indicate who holds the right to attend the general assembly and their right to delegate whoever they select from persons other than the members of board of directors under a special written power of attorney as determined by the Authority in this regard;

As well as a indicating the shareholder's eligibility to discuss the matters listed in the agenda of the general assembly, and to question the board of directors, the auditor, the quorum required for each of the meetings of the general assembly and the resolutions issued therein. It shall also indicate who has the right to the distributions, if applicable.
3. It shall be permitted for meetings of the general assembly to be held and for the shareholder to participate in its deliberations and vote on its resolutions through modern technological means of telepresence according to the controls set forth by the Authority in this regard.

Article (174)

Request by Shareholders to Call the General Assembly

1. The board of directors of the company must call the general assembly to convene whenever one or more shareholders holding shares that represent at least 10% of the company's shares requests so, provided that the invitation to convene the general assembly is sent within five (5) days from the date of the request. The general assembly shall be convened within at least thirty (30) days from the date of invitation to the meeting.
2. The request as set out in Clause (1) of this Article must be kept at the head office of the company and state the purpose of the meeting and the matters to be discussed. The applicant for the meeting must provide a certificate from the financial market where the shares of the company are listed, stating the prohibition to dispose of the shares held by the applicant, based on their request, until the meeting of the general assembly is convened.

Article (176)

Request by the Authority to Call the General Assembly

1. The Authority may demand the chairman of the board of directors of the company or their representative to summon the general assembly in any of the following cases:
a. Upon the expiry of thirty days from the date determined in Article (171) of this Law without the general assembly being summoned to convene.
b. If the number of members of the board of directors is less than the minimum limit required for the meeting to be valid.
c. If the Authority finds at any time any violations of the Law or of the company's articles of association, or that there is any flaw in its management.
d. If the board of directors of the company fails to respond to the request of the shareholder or shareholders in accordance with the provision of Article (174) of this Law.
2. If the chairman of the board of directors of the company, or their representative, fails to call the general assembly to convene in any of the above cases within five (5) days from the date of the Authority's request, the Authority must summon the meeting at the expense of the company.

Article (180)

Powers of the General Assembly

1. Subject to the provisions of this Law and the resolutions issued hereunder and the articles of association of the company, the general assembly shall be competent to consider all the issues in connection with the company. The general assembly is not permitted to consider matters other than those listed in the agenda.

2. Notwithstanding the provisions of Clause (1) of this Article, the general assembly shall have the right to consider the serious incidents revealed during the meeting. If the Authority or a shareholder or a number of shareholders holding at least 5% of the share capital of the company request, before commencing the discussion of the agenda of the general assembly, to list an additional item or items in the agenda, the chairman of the meeting must list such item or items. The Authority will issue a resolution determining the conditions to be observed for listing a new item on the agenda of the general assembly.

Article (181)

Record of the General Assembly Meeting

The shareholders shall enter their names for the attendance of the meeting of the company's general assembly in accordance with the controls, terms and procedures issued by a resolution from the Authority in this regard.

Article (182)

Chairman of the General Assembly

The chairman of the board of directors of the company or, in their absence, the deputy chairman or, if both the chairman and the deputy chairman are absent, any member of the board of directors so selected, shall chair the general assembly. If the board of directors fails to select a member to chair it, it shall be chaired by any person selected by the general assembly. The general assembly shall also appoint a secretary for the meeting. If the general assembly discusses a matter related to the chairman of the meeting, the general assembly must select from the shareholders a chairman for the meeting during the discussion of this issue.

Article (184)

Withdrawal from the Meeting of the General Assembly

If any of the shareholders or their representatives withdraws from the meeting of the general assembly after the quorum has been met, such a withdrawal shall not affect the validity of the general assembly, provided that the resolutions shall be passed by the majority prescribed in this Law for the remaining shares represented in the meeting.

Article (186)

Voting on Resolutions of the General Assembly

1. Subject to the provision of Article (146) of this Law, voting on the general assembly's resolutions shall be conducted via the method as determined by the articles of association of the company. However, voting must be secret if related to the election, dismissal or accountability of the members of the board of directors. It shall be permitted for voting on meetings of the general assembly to be conducted using the online voting mechanism, provided that the controls and terms issued by the Authority in this regard are adhered to.

2. Subject to the provision of Article (178) of this Law, it shall not be permitted for members of the board of directors to participate in voting on resolutions of the general assembly related to being discharged from the liability of their management, or in connection with a special benefit for them, or resolutions that are related to a conflict of interests or an existing dispute between them and the company.

Article (193)

Capital of the Public Joint Stock Company

The minimum limit of the issued capital of a public joint stock company must be thirty million AED. This limit may be amended under a resolution by the Cabinet upon a proposal of the chairman of the Authority's board of directors.

Article (194)

Increasing the Company's Capital

1. Whilst taking into account the provisions of this Law, the shareholders are required to agree – subject to a special resolution – on the issuing of all new shares to increase the issued capital.
2. Upon satisfying its full issued capital, it shall be permitted for the company to increase its issued capital subject to a special resolution. The company's board of directors must execute this special resolution within three (3) years from the date it is issued, otherwise the resolution shall be deemed void ab initio with regard to the amount of increase that was not executed during the aforementioned period.
3. The resolution to increase the issued capital shall state the amount of this increase and the price of the new shares issued.
4. If the increase of the issued capital of the company includes shares in kind, the provisions related to the valuation of shares in kind as contained in this Law shall apply.
5. The Authority shall issue a resolution determining the terms and controls for increasing the issued capital of the company.

Article (197)

Right of Priority

1. Without prejudice to the provisions of Articles Nos. (223), (224), (225), (226), (229), (283) and (292) of this Law, the shareholders shall have priority to subscribe to the new shares. Any provision to the contrary in the company's articles of association or the resolution to increase the issued capital shall be void.
2. It shall be permitted for the shareholder to sell the right of priority to another shareholder or to a third party for a financial consideration. The Authority's board of directors shall issue the resolution regulating the conditions and procedures for selling the right of priority.

Article (204)

Procedures of Decreasing the Company's Capital

1. When decreasing its capital by any method according to the provisions of this Law, the company must adhere to the following:

a. The controls, conditions and procedures issued by a resolution from the Authority.
b. Publishing a resolution of the decrease in accordance with the controls and procedures determined by the Authority, provided that the announcement includes the amount of capital before and after the decrease, the value of each share and effective date of the decrease. The creditors must provide the company with documents in support of their debts within thirty (30) days from the publication date of the announcement of the decrease resolution.
2. If the capital's decrease is for the repayment of part of the nominal value of the shares to the shareholders or to absolve them of the unpaid amount of the value of the shares or any part thereof, such decrease may not be invoked by the creditors who submitted their demands on the date as set forth in Clause (1/b) of this Article, unless these creditors have received their due debts or the securities necessary for the repayment of the debts not resolved.

Article (219)

Treasury Shares

1. It shall not be permitted for the company to mortgage its own shares or purchase such shares unless the purchase is intended to decrease the issued capital or for the amortisation of the shares. Such shares shall not have a vote in the deliberations of the general assembly nor a portion of the profits.
2. Notwithstanding the provision of Clause (1) of this Article, it shall be permitted for the company that has been incorporated for at least two fiscal years to purchase – upon the approval of the general assembly – a percentage not exceeding 10% of its shares for the purpose of disposal thereof in any way, including transferrals of ownership, in accordance with the conditions, controls and procedures as decided by the board of directors of the Authority. It shall not be permitted for the treasury shares to be calculated within the quorum of meetings of the general assembly, nor may they have a vote in deliberations of the general assembly or a share in the profit unless they have been transferred or cancelled. In case of cancelling such shares, the company capital shall be decreased by the number of cancelled shares. In this case, the decrease shall not be subject to the provisions of Articles (202) and (204) of this Law.

Article (222)

Financial Aid

1. It shall not be permitted for the company or any of its subsidiaries to provide financial aid to any person to enable them to hold any financial securities issued by the company. Financial aid shall include specifically the following:
a. Providing loans.
b. Providing gifts or donations.
c. Providing the assets of the company as a security.
d. Providing a security or guarantee for the obligations of another person.
e. Using any of the company's reserves, funds or profits for settling any of the obligations of this person.

2. Financial aid shall not include any securities, undertakings or compensations provided by the company to any underwriter during any offering or subscription of the company's shares.
3. With exception to the provisions of Clause (1) of this Article, it shall be permitted for companies licensed by the Central Bank to undertake financing, to provide loans to any person to enable them to hold any securities issued by such companies. This shall be on condition that the loans it grants do not contain any preferential conditions not granted to its other clients, and without contradicting the Central Bank's applicable legislation and regulations.

Article (224)

Conditions of Contribution of the Strategic Partner

1. Within three months from the date of the resolution to include a strategic partner as a shareholder of the company, the company's board of directors must offer the shares to the strategic partner, whilst taking into account any conditions or controls set forth by the Authority in this regard.
2. If the board of directors fails to offer the new shares to the strategic partner within the three-month period as set forth in Clause (1) of this Article or if the strategic partner fails to subscribe to such shares within a period not exceeding thirty (30) days from the date such shares were offered to the partner, the resolution by the general assembly to increase the capital of the company to enter a strategic partner shall be deemed void ab initio.

Article (227)

Share Certificates

1. Unless, after its incorporation, the company has listed its shares in any of the financial markets in the State, the board of directors must, within three months from the date of registration of the company in the Commercial Register with the competent authority, issue share certificates instead of notifications of share allotment.
2. Share certificates shall be signed by at least two members of the board of directors, stating the name of the shareholder, the number of the shares subscribed to them, the method of payment for the shares' value, the amount paid of such value, the date of payment, the serial number of the certificate, the numbers of the shares held by the shareholder, the issued capital of the company, the head office and the term of the company and the date of the resolution authorising the incorporation of the company. Such certificates shall substitute the shares. The share certificates may be issued, signed and kept electronically in accordance with the controls issued by the Authority in this regard.
3. If the value of the share is in instalments, the obligation of the company to deliver the share certificate shall be deferred until the value of the shares has been paid full. It shall not be permitted for shares that represent the shares in kind to be delivered until the ownership of such shares in kind has been transferred to the company.

Article (229)

Issuing Bonds or Sukuk

1. It shall be permitted for the company – upon the approval of the Authority – to issue negotiable bonds or sukuk that are either convertible or non-convertible into shares in the company with equivalent values per each issuance.

2. The bond or sukuk shall remain nominal until the payment of its value in full.
3. It shall not be permitted for bonds or sukuk to be converted into shares unless the prospectus or issuance terms so provide. If conversion is decided for bonds or sukuk which are not obliged to be converted into shares, the holder of the bond or sukuk alone shall have the right to accept the conversion or to collect the nominal value of the bond or sukuk.
4. With exception to the provisions of Articles Nos. (194), (198) and (199) of this Law, it shall be permitted for the company – subject to the special resolution approving the issuing of bonds or sukuk that are convertible into shares – to increase its capital by converting such bonds or sukuk into shares in its capital.

Article (230)

Conditions of Issuing Bonds or Sukuk

1. The bonds or sukuk or any other debt instruments shall be issued only upon a special resolution by the general assembly of the company. It shall be permitted for the company to delegate the board of directors to determine the date of issuing the bonds or sukuk.
2. The Authority shall issue a resolution to determine the conditions, controls and procedures of issuing the bonds, sukuk or any other debt instruments.

Article (232)

Profits of Bonds or Sukuk upon Conversion into Shares

Shares received by the holders of bonds or sukuk that have been converted into shares in the capital of the company shall have a share in the profits to be distributed for the fiscal year during which the conversion took place, unless the prospectus or issuance terms of such bonds or sukuk provide otherwise.

Article (238)

Publication of Annual Financial Statements

The annual financial statements of the company shall be published according to the controls determined by the Authority and a copy thereof shall be deposited with the Authority and competent authority.

Article (243)

Appointment of the Company's Auditor

1. Every public joint stock company shall have one or more auditors nominated by the board of directors and approved by the general assembly.
2. The general assembly shall appoint an auditing firm for one year (renewable) and it shall not be permitted for the board of directors of the company to be delegated in this respect. This shall be on condition that the auditing firm does not carry out the auditing in the company for more than six (6) successive fiscal years from the date it took over the auditing in the company. In this case, the partner responsible for the auditing in the company is required to be changed at the end of three (3) fiscal years. It shall be permitted for this auditing firm to be reappointed after the passage of at least two (2) fiscal years from the expiry date of its term of appointment. The founders of the company may, at the time of incorporation, appoint one or more auditing firms

as approved by the Authority to perform its duties until the termination of the general assembly's works for the first fiscal year.
3. The general assembly shall determine the remuneration of the auditor (it shall not be permitted for the board of directors to be delegated to this effect), provided that such fees are reflected in the company's accounts.

Article (255)

Incorporation of the Private Joint Stock Company

1. A private joint stock company is a company where the number of the shareholders is at least two. The capital of the company shall be divided into shares with the same nominal value, to be paid in full without offering any shares for public offering. This shall be by signing the memorandum of association and complying with the provisions of this Law in connection with registration and incorporation. A shareholder in the company shall be liable only to the extent of their share in the company's capital.
2. With exception to the minimum limit of the number of shareholders as set forth in Clause (1) of this Article, it shall be permitted for a legal person to incorporate and hold a private joint stock company. The holder of the company's capital shall only be liable for its obligations to the extent of the capital of the company as set out in its memorandum of association. The name of the company must be followed by the phrase "Private Joint Stock – Sole Proprietorship". The provisions of the private joint stock company as set forth in this Law shall apply to this legal person, to the extent that does not conflict with the nature of such company. The Minister shall issue a resolution on the procedures of incorporation and management of the sole proprietorship private joint stock company consistent with its nature.

Article (257)

Founders' Committee

1. The founders shall choose from among them a committee consisting of at least two members to complete the company incorporation procedures and registration with the competent bodies. It shall be fully liable for the accuracy, validity and completion of all the documents, studies and reports provided to the relevant authorities in connection with the incorporation, licensing, registration and recording process of the company. In the event of sole proprietorship, the founder shall act as the committee.
2. It shall be permitted for the Founders' Committee to delegate one of its members or a third party to monitor and complete the incorporation procedures with the Ministry and the competent authority according to the controls established by the Ministry in this respect.

Article (279)

The Sale of a Percentage of the Company's Shares and Increasing its Capital upon Conversion

1. Subject to the provisions of Articles (117) and (118) and Clause (1) of Article (109) of this Law, the company wishing to be converted into a public joint stock company may undertake the following upon the approval of the Authority:
a. Selling by way of public offering a maximum of 70% of its capital after valuation.

b. Issuing new shares under a special resolution to increase its capital and offer the shares for public offering.
2. The Authority shall issue a resolution to define the controls and terms for selling and offering the shares for public offering upon conversion of the legal form of the company to a public joint stock company.
3. With exception to the provision of Clause (1) of Article (215) of this Law, it shall not be permitted for the founders' cash or in-kind shares of the company to be traded after being converted into a public joint stock company for at least six months prior to the date of commencing its listing in the financial market in the State or from the date of its registration in the Commercial Register with the competent authority, in case of companies which are excluded from listing. These shares shall be indicated as founders' shares. The provisions of this Article shall apply to the shares subscribed by the founders in the event the capital is increased before the expiry of the prohibition period.
4. With exception to the provision of Paragraph (a) of Clause (1) of this Article and Clause (1) of Article (117) of this Law, the company wishing to be converted into a public joint stock company may sell by way of public offering more than the percentage set forth in Paragraph (a) of Clause (1) of this Article upon the approval of the board of directors of the Authority, and in accordance with the controls and terms issued by a resolution of the Cabinet upon a proposal from the Authority.

Article (292)

Acquisition

1. Any person or associated group – as determined by the resolution issued by the Authority in this respect – purchasing or carrying out any act that may lead to the acquisition of shares or financial securities that are convertible to shares in the capital of a public joint stock company incorporated in the State, which offered its shares for public offering or is listed in a financial market in the State, is required to comply with the provisions of the resolution issued by the Authority on acquisition.
2. It shall be permitted for the conditions and procedures issued by the Authority to regulate the acquisitions to include a condition stipulating that any person whose ownership in the capital has reached the percentage determined by the Authority shall have the right to obligate the minority shareholders to waive their shares in the acquired company in such a person's favour. In addition to a condition stipulating that the minority shareholders holding the percentage determined by the Authority are entitled to obligate any person whose ownership in the capital has reached the percentage determined by the Authority, to accept the shareholders' waiver of their shares for such a person, in exchange for a consideration consistent with the provisions of the resolutions regulating the conditions and procedures of acquisitions issued by the Authority. The Authority shall execute the transfer of ownership of the financial securities.
3. It shall be permitted for the company – under a special resolution – to increase its issued capital in order to acquire an existing company and to issue new shares for the partners or shareholders in this acquired company. The acquisition shall be excluded from the provisions of Articles (197), (198) and (199) of this Law.

Article (293)

Contravention of the Rules and Procedures of Acquisition

Without prejudice to the right of the damaged parties to have recourse to the courts, if it is established that any person contravened the provisions of Article (292) of this Law or the resolution issued by the Authority in this respect, the Authority may take either of the following administrative sanctions:

1. To send a warning of the violation and grant the violator time for correction according to the mechanism determined by the Authority.
2. To deprive the violator from nomination to membership of the board of directors of the company targeted for acquisition until the correction or the execution of the procedure determined by the Authority.
3. To suspend or cancel the membership of the violator if they are a member of the board of directors of the company.
4. To deprive the violator from voting at the meetings of the general assembly, within the extent of such violation.
5. Any other administrative sanctions determined by the Authority.

Article (302)

Losses of the Joint Stock Company

1. If the cumulative losses of a joint stock company reach half of its issued capital, the board of directors must within thirty (30) days from the date of disclosing the periodical or annual financial statements to the Ministry or the Authority, as applicable, invite a meeting of the general assembly within thirty (30) days from the date of invitation, to take a decision on the meeting of the general assembly. If it is not possible for this assembly to issue a decision, all interested parties may file a lawsuit before the competent court requesting to dissolve and liquidate the company according to the provisions of the Law.
2. When inviting the general assembly to convene according to the provision of Clause (1) of this Article, the board of directors of the company is required to take into consideration the following:

a. If the board of directors recommends the continuation of activity of the company's activity, the invitation shall be accompanied by the approved restructuring plan and report of auditor. The restructuring plan attached to the invitation must include the feasibility study, plan of debt settlement and the time schedule for execution.

b. If the board of directors recommends the dissolution and liquidation of the company prior to its prescribed term, the invitation shall be accompanied with the auditor's report, the company liquidation plan and its schedule approved by the board of directors of the company and its financial consultant, and nominating one or more liquidators as approved by the Authority.

3. The board of directors shall supervise the execution of the restructuring plan and notify the Authority of each report every three (3) months with the results of the execution of this plan and its compliance with the schedule. It may, upon the approval of the Authority, appoint a financial consultant to assist it in preparing and executing the plan. The Authority may disqualify the financial consultant and appoint another if the consultant does not carry out the duties entrusted to them.

Article (357)

Failure of the Company to Adjust to the Provisions of this Law

In the event the company fails to adjust to the provisions of this Law and its executive resolutions, the company shall be fined 100 AED per day of delay. Such a fine shall be calculated from the day following the expiry date of the prescribed period for adjustment.

Article Two

New articles (Articles Nos. (166) bis (1), (166) bis (2) and (354) bis) shall be added to the aforementioned Federal Law No. (2) of 2015, with the following provisions:

Article (166) bis (1)

Lawsuit against the Relevant Party

1. A shareholder or shareholders may collectively file a lawsuit before the competent court under their name and on behalf of the company against any relevant party to the company for the damages caused to the company as a result of the relevant party breaching their duties towards the company according to this Law or any other law. For this the following is required:
a. That damage or violation to duty has been caused to the company
b. That the plaintiff was a shareholder in the company at the time when the acts in the lawsuit were committed, or that they acquired such capacity as a result of transferring the interest of a such person or their shares from a person who had such capacity at that time.
c. That the plaintiff or plaintiffs collectively have shares which represent at least 10% of the company's capital.
d. That the plaintiff had applied to the board of directors of the company with written request to file the lawsuit and its reasons, but this was rejected or was not responded to by the board within thirty (30) days.
e. That the lawsuit documents include a copy of the request referred to in the previous paragraph of this Article and details of all other efforts to urge the company to file the complaint by itself.
2. Subject to the provisions of Clause (1) of this Article, it shall not be permitted for the plaintiff or plaintiffs to conduct a reconciliation or settlement with the defendant in this case without the approval of the court following the full disclosure of the details of the proposed reconciliation or settlement.
3. If a judgement is issued in favour of the plaintiff or plaintiffs according to the provisions of this Article, the ownership of what is judged to be refunded and the compensation for damages shall be paid back to the company. Apart from the legal expenses which are to be paid back to the plaintiff or plaintiffs who paid them, represented in the legal costs and attorney fees. The competent court should agree on the value of such legal expenses if it is established that the lawsuit is of malicious intent with the aim of damaging the defendant or the company and its shareholders, or of defaming or affecting the rate of the share in the financial market.

Article (166) bis (2)

Direct Proceedings

A shareholder or shareholders may collectively file a lawsuit before the competent court under their name against any relevant party to the company for the damages caused to them as a result of a breach of the provisions of this Law or any other law.

Article (354) bis

Violation of the Rules and Procedures of Acquisition

Without prejudice to the administrative sanctions provided in Article (293) of this Law, whoever violates the provisions and resolutions regulating the rules and procedures of acquisition provided in this Law or in the regulations and resolutions issued by the Authority, shall be fined by an amount of no less than one hundred thousand (100,000) AED and no more than ten million (10,000,000) AED.

Article Three

The definition of "Relevant Parties" provided in Article (1) of the aforementioned Federal Law No. (2) of 2015 shall be repealed.

Article Four

1. The existing companies to which the provisions of the Federal Law No. (2) of 2015 on Commercial Companies apply must make adjustments so that the company's situation is in line with the law's provisions within no more than one year from the date this Law by Decree comes into effect. This period may be extended for other similar periods by a resolution from the Cabinet and upon a proposal from the Minister.
2. Without prejudice to the penalties stipulated in this Law, if a company does not adhere to the provision of Clause (1) of this Article, the company shall be deemed dissolved according to the provisions of this Law.

Article Five

It shall not be permitted to make any amendments to the articles or memoranda of association of any of the companies existing at the time of this Law by Decree comes into effect, that affect the percentage of contribution of nationals to such companies or its boards of directors, as long as the company carries out any of the activities which has a strategic impact, unless approved by the competent authority. Any action that violates this Article shall be void.

Article Six

1. Article No. (329) of the aforementioned Federal Law No. (2) of 2015 shall be repealed.
2. Federal Law by Decree No. (19) of 2018 on Direct Foreign Investment shall be repealed.
3. Any provision that violates or contradicts the provisions of this Law by Decree shall be repealed.

Article Seven

The amendments to the provisions of Articles (10), (151) and (329) mentioned in this Law by Decree shall come into force six months from the date of its publication in the Official Gazette.

Article Eight

Without prejudice to the provision of Article Seven of this Law by Decree, this Law by Decree shall be published in the Official Gazette and shall come into force as of 02/01/2021.

Khalifa bin Zayed Al Nahyan
President of the UAE

Issued by us at the Palace of the Presidency in Abu Dhabi:
Date: 10 Safar 1442 AH
Corresponding to: 27 September 2020 AD