

# *New UAE rules raise the Corporate Governance bar*

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## ***In brief***

On 28 April 2016, the Chairman of the Securities and Commodities Authority of the United Arab Emirates (SCA) issued the Decree No. 7 R.M of 2016 which sets out the new set of Corporate Governance Rules, which came into force on the 1<sup>st</sup> of May 2016 and repeal the old governance rules issued under the Decree No. 518 of 2009.

The new rules are intended to provide a comprehensive overhaul of the existing corporate governance regime applicable to public joint stock companies and aim to complement the new commercial companies law No. 2 of 2015 (CCL) which was introduced to continue the UAE's development into a global standard market and business environment and, in particular, raise levels of good corporate governance, protection of shareholders and promotion of social responsibility of companies.

We aim to summarise below some of the key items for public joint stock companies in the UAE to now consider.

## ***In detail***

### ***General Assembly***

The New Rules focus on a number of areas that were previously not codified. For example, distinct rules have been introduced in relation to convening a general assembly. Unless approved by 95% of the shareholders, a board can no longer convene a general assembly with less than 30 days' notice.

### ***Notice period***

The Notice convening the general assembly must be disclosed to the market via the market's regulatory news service and published on the company's website. The Notice must also provide shareholders with adequate detail to understand the purpose and agenda of the meeting. SCA approval will still be required to convene the general assembly.

### ***Communications - board meetings***

Under the New Rules only a majority of directors are required to hold board meetings in person. Subject to the Articles of Association of a company, board meetings may be held using electronic communication methods such as video conferencing.

### ***Related party transactions***

The definition of 'related party' has been expanded under the New Rules. This means that more transactions will fall within the scope of the 'related parties transaction' restrictions. Under the New Rules, when deciding if a counterparty to a transaction is a related party, consideration must be given to whether the counterparty is a board member, chairman, director, senior executive or employee (each a "Relevant Person") or any company ('Relevant Company') in which any Relevant Person has a 30% (or

greater) interest and any affiliate, subsidiary or parent of any such company.

### ***Statutory registers***

Under the New Rules, public joint stock companies are also now required to maintain registers of conflicts of interest, insiders and related party matters. These registers are to be maintained by the companies themselves to ensure effective compliance.

### ***What you need to do***

All public joint stock companies should:

- Obtain a clear understanding of the provisions of the New Code.
- Complete a comprehensive gap analysis in order to understand the current position and develop a governance framework under the New Code.
- Report on the findings of

the gap analysis and recommend actions to be implemented.

- Prepare the requisite governance framework.

### ***The takeaway***

In summary, the New Rules which came into force on 1 May 2016, are intended to signify substantial enhancement of the previous legislation, and bring with them various welcome modifications and clarifications.

Companies affected by the New Rules are recommended to seek legal advice and update their corporate governance framework as soon as possible.

### ***Who we are***

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### ***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:

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