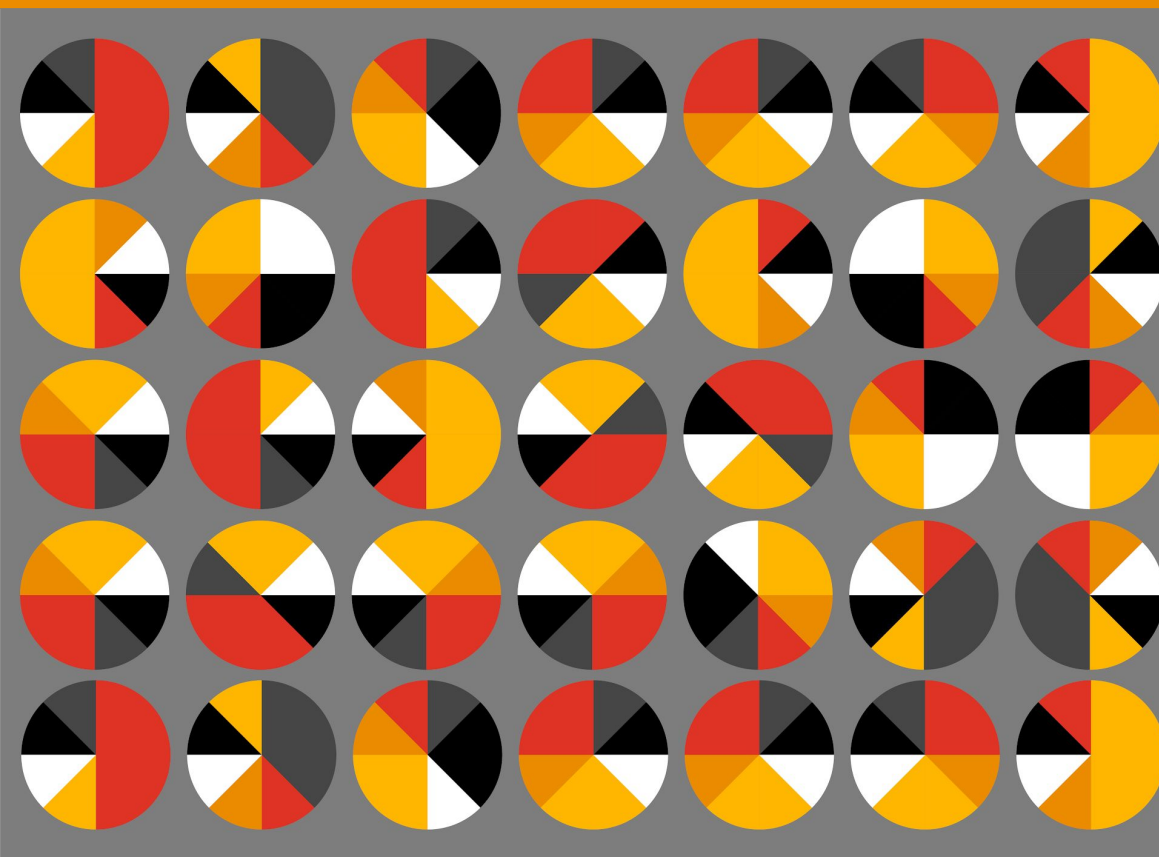


UAE: Changes announced to the Commercial Companies Law

November 2020



The speed read

The UAE government has announced an overhaul of foreign ownership rules applicable to commercial companies.

The decree will introduce amendments to the UAE Federal Law No. 2 of 2015 on Commercial Companies ("Commercial Companies Law"). The headline announced change will remove the requirement for commercial companies to have a major UAE national shareholder or agent, providing for full foreign ownership of onshore companies.

The decree will provide for the establishment of a committee with the remit of proposing activities of strategic importance and the measures required for companies seeking to be licensed to undertake such activities. These measures may include specified levels of minimum share capital and other relevant measures. It remains to be seen what approach will be taken by the committee and that will have a direct bearing on how far reaching the announced changes will have on easing restrictions in certain areas of strategic importance.

The decree will also provide for further changes to the Commercial Companies Law as set out below.

The changes are expected to be introduced on 1 December 2020 however certain changes may be implemented at a later date.

The announced changes in detail

What has changed

- The changes will include provisions relating to full foreign ownership of companies in the UAE.
- The changes will remove the requirement to have a UAE national agent.
- The changes will supersede the UAE Federal Law No. 19 of 2018 on Foreign Direct Investment.
- The changes will include certain provisions and regulations related to limited liability and joint stock companies.
- The changes will grant relevant local authorities powers, including setting a specific percentage of UAE nationals in the capital allocation and boards of directors of companies, approving requests to establish companies and identifying the fees and charges according to the policies adopted by the UAE Cabinet.
- The changes will increase the percentage shareholding that companies wishing to become joint stock companies through an IPO can sell - 70 per cent of the company from the current 30 per cent.
- The changes will authorise the UAE Cabinet to set up a committee that includes representatives of the relevant authorities with a view to proposing activities of "strategic impact" and the measures required to licence companies operating in such areas.
- Electronic voting at general assembly meetings will be permitted.
- The changes will empower the Securities and Commodities Authority to establish the controls and procedures required for evaluating in-kind shares and the names of stakeholders attending the general assembly meetings of companies.
- The changes will allow for the appointment of board members who have the expertise and are not stakeholders, without stipulating a specific percentage, as well as the dismissal of a chairman or any other board members in cases of fraud or misuse of power.
- The changes will enable stakeholders to sue a company in the civil courts over any failure of duty that results in damages.
- The changes will enable companies to approve a capital increase through issuing bonds and converting them into shares.
- Companies will have a maximum of one year to comply with the amended law from the time the changes become effective. This period may be extended under a decision by the cabinet as proposed by the Minister of Economy.

Further information

For further information on how this impacts your business, please contact the award-winning team at PwC Legal using the contact details below.



Let's talk

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



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