

# UAE: FEDERAL DECREE LAW NO. 26 OF 2020 – AT A GLANCE\*

#### No Mandatory Emirati Majority Shareholder

Art. 10 of the Commercial Companies Law ("CCL", requiring an Emirati shareholder holding at least 51% of the share capital) has been completely overhauled by Art. 1 of Federal Decree Law 26/2020

#### Foreign Direct Investment Law Abolished

Federal Law No. 19 of 2019 concerning Foreign Direct Investment has been repealed by Art. 6 of Federal Decree Law 26/2020

### No Emirati Local Service Agent Required

Art. 329 of the CCL (requiring a local service agent for branches of foreign companies) has been repealed by Art. 6 of Federal Decree Law 26/2020

#### **New Provisions for General Assemblies**

Art. 1 of the Federal Decree Law 26/2020 has amended several provisions of the CCL with regard to an LLC's general assembly of shareholders

<sup>\*</sup>Federal Decree Law 26/2020 contains further changes with respect to joint stock companies. It remains to be seen whether these will also apply on limited liability companies.

# **Overview I**



# **UAE Commercial Companies Law**

 Requires an Emirati shareholder holding at least 51% of the company's share capital.

 An Emirati national can incorporate a one-person LLC.

 Any shareholder holding at least 25% of the LLC's share capital can request a general assembly.

### Article:



# Main Changes brought about by UAE Federal Decree Law No. 26 of 2020

- A committee, consisting of 2 members from each Department of Economic Development, shall be formed; the committee shall identify "activities with strategic impact" for the UAE.
- Each Department of Economic Development will then decide on the licensing requirements for companies engaged in an activity with strategic impact.
- Any natural or judicial person may incorporate a one-person LLC

 Any shareholder holding at least 10% of the LLC's share capital can request a general assembly.

# **Overview II**



# **UAE Commercial Companies Law**

- Invitation to general assembly shall be sent out at least 21 days before the event.
- Invitation to be sent either via registered letter or modern technological methods as specified in MoA.

- Quorum for first general assembly meeting: at least 75%.
- First adjourned meeting within 14 days from first meeting
- Quorum at first adjourned meeting: a least 50%.
- Second adjourned meeting within 30 days from second meeting.
- Quorum during second adjourned meeting valid irrespective of number of partners present.
- No provisions for an emergency capital increase.

### Article:







# Changes brought about by UAE

## Federal Decree Law No. 26 of 2020

- Invitation to general assembly to be sent at least 15 days prior the meeting
- Invitations to be sent via registered letter or by any means provided in the MoA
- General assembly can be held via modern technology methods
- Quorum for first general assembly meeting: at least 50%
- Adjourned meeting within 15 days from first meeting (but at least after 5 days)
- Quorum for adjourned meeting valid irrespective of number of partners present, unless the MoA provides for a specific quorum
- Any shareholder can apply for an emergency capital increase with the courts for a summary judgement
  - a) if it is required to stop liquidation or paying the LLC's debts:
  - b) majority of 75% for MoA amendment cannot be reached
- Applying shareholder shall have the right to pay up the increased share capital on behalf of defaulting shareholders against respective share allocation

# **Timeline**



### **UAE Federal Decree Law No. 26 of 2020**



#### Issuance

Federal Decree Law 26/2020 was issued on 27 September 2020.

#### Announcement

Federal Decree Law 26/2020 was announced in newspapers by end of November 2020.

#### 2. Effective Date

Abolishment of mandatory Emirati participation in companies and branches comes into effect.

# **Action Plan**



### **UAE Federal Decree Law No. 26 of 2020**



01

#### Review

Review and assess existing corporate agreements with Emirati partners in terms of obligations to sell back shares to foreign partner.

03

#### **Prepare**

Prepare all required amendments and resolution on time and have them ready for execution.

02

#### **Negotiate**

Even if there is an obligation for Emirati shareholder to sell back shares, negotiations should be initiated.

04

#### **Implement**

2 January 2021, except for changes re. Emirati participation which will come into effect on 1 April 2021 and subject to the implementation details (to be announced by DED).