

Cabinet Decision No. (77) of 2022
Concerning Limited Liability Companies

The Cabinet of Ministers,

Having reviewed the Constitution,

And Federal Law No. (1) of 1972 Concerning the Competencies of Ministries and the Powers of Ministers, and its amendments,

And Federal Decree-Law No. (32) of 2021 Concerning Commercial Companies,

And based on the proposal of the Minister of Economy and the approval of the Cabinet of Ministers,

Has decided:

Article (1)

Definitions

In the application of the provisions of this Decision, the following words and phrases shall have the meanings assigned to each of them, unless the context otherwise requires:

The State	: The United Arab Emirates.
The Ministry	: The Ministry of Economy.
The Minister	: The Minister of Economy.
The Competent Authority	: The local authority concerned with company affairs in the relevant Emirate.
The Company	: The Limited Liability Company.
The General Assembly	: The owner of the company if it is a sole proprietorship, or all partners if it is owned by several partners.
The Manager	: The manager authorized to manage the company, appointed in accordance with the rules, whether in the company's memorandum of association, a separate contract, a decision of the General Assembly, or otherwise.
The Board	: The Board of Managers.
The Registrar	: The Companies Registrar appointed by the Minister who carries out his duties at the Ministry.
Governance	: The set of controls, standards, and procedures that achieve institutional discipline in the management of the company in accordance with international standards and methods, by defining responsibilities, duties, and limits of powers.
Related Parties	

	: Any of the partners, the General Manager, the Board of Managers, the members of the Supervisory Board - as the case may be - or the executive management or employees of the company, whenever they have dealings or contracts with the company in which any case of conflict of interest is realized.
Business Day	: The official working day at the relevant Competent Authority.
The Decree-Law	: Federal Decree-Law No. (32) of 2021 Concerning Commercial Companies.

Article (2)

Scope of Application of the Decision

The provisions of this Decision shall apply to the Limited Liability Company with respect to each of the following:

1. The procedures for establishing and managing the company when it is a sole proprietorship.
2. Regulating cases where the provisions prescribed for a public joint-stock company do not apply to the company.

Article (3)

Provisions Regulating the Establishment of a Sole Proprietorship Limited Liability Company

1. The terms and conditions for establishing a sole proprietorship limited liability company are regulated by this Decision.
2. Subject to the provisions of Clause (1) of this Article, the Competent Authority shall regulate the standards, provisions, and conditions for establishing a sole proprietorship limited liability company for matters not provided for in this Decision.
3. A sole proprietorship limited liability company shall have a name derived from its purpose or from the name of its owner, provided that the name is followed by the phrase "Limited Liability Company (Sole Proprietorship LLC)".
4. A single natural or legal person may establish a sole proprietorship limited liability company or acquire all the shares of an existing limited liability company to become a sole proprietorship limited liability company.

Article (4)

Memorandum of Association of a Sole Proprietorship Limited Liability Company

1. The memorandum of association of a sole proprietorship limited liability company shall include, in particular, the following data:
 - a. The full name of the owner, nationality, date of birth, and place of residence.
 - b. The company's name, address, trade name if any, and its purpose.

- c. The company's head office and its branches, if any.
 - d. The company's capital, its estimated value, and the method of its estimation.
 - e. The start and end dates of the company, if any.
 - f. The method of managing the company, stating the names of the persons who have the right to sign on behalf of the company and the extent of their powers.
 - g. The start and end of the fiscal year.
 - h. The percentage of profit and loss distribution, if any.
 - i. Any other data determined by the Competent Authority.
2. If the company's memorandum of association includes the name of the manager or managers, their full name, nationality, place of residence, and powers must be stated.

Article (5)

Procedures for Establishing a Sole Proprietorship Limited Liability Company

The following procedures shall be followed for the establishment of a sole proprietorship limited liability company:

1. The application for establishment shall be submitted to the Competent Authority on the approved form, accompanied by the required documents and papers, and payment of the prescribed fees.
2. The Competent Authority may request the amendment or completion of any data or documents in accordance with the provisions of the Decree-Law and the decisions issued thereunder.
3. The Competent Authority shall issue its decision regarding the application to establish a sole proprietorship limited liability company within a period of (5) five business days from the date of submitting the application, completing the data and documents, or making amendments. In the event of rejection, the rejection must be justified. The expiry of the aforementioned period for deciding on the application shall be considered a presumption of rejection.
4. The applicant or their representative may, in the event of rejection of the application in any of the cases referred to in Clause (3) of this Article, appeal to the Competent Authority within (15) fifteen business days. If the appeal is rejected or not decided upon within (15) fifteen business days from the date of its submission, they may challenge it before the competent court within (30) thirty days from the date of being notified of the rejection or the expiry of that period, as the case may be.
5. If the application for establishment is approved, the Competent Authority shall register the sole proprietorship limited liability company in the Commercial Register and issue a commercial license for it.

6. The Competent Authority shall provide the Registrar with a copy of the company's commercial license and its memorandum of association through electronic linking in accordance with the controls set by the Minister in this regard.

Article (6)

Data and Documents to be Kept at the Head Office of a Sole Proprietorship Limited Liability Company

A sole proprietorship limited liability company shall keep the following at its head office:

1. A copy of the memorandum of association and any updates or amendments thereto.
2. A statement of the cash amounts and the nature and value of the assets owned by the shareholder and the date of their ownership.
3. Any other data, documents, or records prescribed under the provisions of the Decree-Law and its implementing decisions.
4. Any other data or documents specified by the Competent Authority.

Article (7)

Management of a Sole Proprietorship Limited Liability Company

1. Subject to the provisions concerning limited liability companies contained in the Decree-Law, a sole proprietorship limited liability company shall be managed by one or more managers as decided by the owner in the memorandum of association.
2. The General Assembly shall appoint the manager or managers in the aforementioned company, unless the appointment has been made in the memorandum of association or in a separate contract.
3. If there are multiple managers, the owner may appoint a Board, specifying in the appointment decision their number and titles, such as chairman, deputy, and members.
4. The term of membership for the manager and managers shall be specified in the appointment decision.
5. The administrative, financial, or other powers of the manager or the Board shall be specified in the memorandum of association or the appointment decision and shall include sufficient powers to conduct the company's business and take necessary actions to preserve its assets and act with honesty and sincerity.
6. If a position on the Board becomes vacant, the Board may appoint a replacement member, provided that the matter is presented to the General Assembly at its first meeting to approve his appointment or appoint another person, unless the memorandum of association provides otherwise.

Article (8)

Board Meetings

1. The Board shall hold its meetings as specified in the memorandum of association.
2. The Board's decisions shall be issued by a majority of the votes of those present and represented at the meeting. In the event of a tie, the side for which the chairman of the meeting votes shall prevail, unless the memorandum of association provides otherwise.
3. The Board must hold its meeting at least (30) thirty days before any General Assembly meeting is called. Following the conclusion of the Board meeting, it must provide the owner of the shares with a detailed notice of the Board's decisions. The owner must also be notified of the proposed date for the General Assembly and its detailed agenda of topics.
4. The minutes of the Board meetings shall record the details of the topics considered and the decisions taken, including any reservations or dissenting opinions of the members. They shall be signed by the members who attended the meeting and the secretary of the meeting. If a member refuses to sign, his objection shall be recorded in the minutes, and the reasons for the objection shall be stated if provided. The minutes of the Board meetings shall be kept by the secretary of the Board.

Article (9)

Defining the Tasks and Duties of the Executive Management

The Board or the manager authorized to manage the sole proprietorship limited liability company, as the case may be, must protect its rights, exercise the care of a diligent person, and carry out all actions consistent with the company's purpose and the granted powers.

Article (10)

Governance

The sole proprietorship limited liability company shall prepare a system for governance and institutional discipline in accordance with professional principles and in a manner consistent with the nature of a sole proprietorship, to be approved by the owner either directly or through the General Assembly.

Article (11)

Company Accounts

1. The company shall prepare regular accounts in accordance with international accounting standards and principles so as to reflect a true and fair view of the company's profits or losses for the fiscal year and of the company's position at

- the end of the fiscal year, and to comply with any requirements stipulated in the Decree-Law and the decisions issued for its implementation.
2. The company shall apply international accounting standards and principles when preparing its interim and annual accounts and determining distributable profits.

Article (12)

Appointment of the Auditor

1. A sole proprietorship company shall have one or more auditors appointed and whose fees are determined by the General Assembly. The auditor must be registered with the Ministry and licensed to practice the profession by the Competent Authority.
2. An auditor shall be appointed for a renewable term of one year, during which they shall audit the accounts of the fiscal year.
3. The auditor shall exercise his duties from the end of that assembly meeting until the end of the next annual General Assembly meeting, and shall comply with the provisions stipulated in the Decree-Law and the decisions issued for its implementation.

Article (13)

Powers of the Auditor

The auditor shall have access at all times to all information, records, books, registers, documents, and other papers of the company. He may request the clarifications he deems necessary to perform his mission and may also verify the assets, rights, and liabilities. If he is unable to exercise his powers and perform his duties, he shall state this in writing in a report submitted to the Board or the company's manager, as the case may be. If the Board or the company's manager, as the case may be, does not enable the auditor to perform his mission, the auditor must send a copy of the report to the owner. If he is still unable to perform his duties, his report shall be sent to the Competent Authority and presented to the General Assembly.

Article (14)

Approval of the Balance Sheet

1. Subject to Article (94) of the Decree-Law, the manager or the Board, as the case may be, after preparing the balance sheet and the profit and loss account, must obtain the owner's approval of the balance sheet and the profit and loss account audited by the auditor, within the four months following the end of the fiscal year.
2. In the event that the owner does not approve the balance sheet and the profit and loss account within the period specified in Clause (1) of this Article, the manager or the Board, as the case may be, must submit an application to the Competent Authority within (7) seven days from the end date of the period

specified in Clause (1) of this Article, to call upon the owner to consider the approval of the balance sheet, the profit and loss account, and the powers mentioned in Article (94) of the Decree-Law. The Competent Authority shall compel the owner to decide on the approval within a period not exceeding (10) ten days from the date of notifying the owner, provided that a copy of the balance sheet is filed with the Competent Authority in accordance with its prescribed deadlines.

Article (15)

Annual Report of the Auditor

1. The auditor shall submit a report to the General Assembly that includes the data and information stipulated in the Decree-Law.
2. The auditor must attend the General Assembly meeting and read his report at the General Assembly, explaining any obstacles or interventions from the Board he faced during the performance of his work. His report must be independent and impartial. He must express his opinion at the meeting on all matters related to his work, especially on the company's budget, his observations on the company's accounts, its financial position, and any violations therein. The auditor shall be responsible for the accuracy of the data contained in his report. The owner, during the General Assembly, may discuss the auditor's report and seek clarification on its contents.

Article (16)

Sale of Shares and Admission of Partners

The following shall be followed regarding the sale of shares or the admission of partners in a sole proprietorship limited liability company:

1. Obtaining prior approval for the sale from the Competent Authority.
2. All terms, conditions, and standards of the limited liability company, for matters not stipulated in this resolution, shall apply to the extent consistent with the nature of a sole proprietorship limited liability company.
3. If ownership of the shares is transferred by inheritance, the company shall continue for a temporary period until the situation is regularized. The heirs shall choose a representative to manage the company on their behalf for a period not exceeding six (6) months from the date of death. Upon completion of the inheritance procedures, the sole proprietorship limited liability company shall be converted into a limited liability company, and the shares shall be registered accordingly.
4. The status of a "sole proprietorship company" shall cease upon the entry of partners, at which point it shall be subject to the provisions of a limited liability company.

Article (17)

Calling for a General Assembly Meeting

1. The General Assembly shall be convened by an invitation from the Manager or the Board of Managers at least once a year, within the four months following the end of the fiscal year. The meeting shall be held at the time and place specified in the invitation letter, taking into account the provisions related to a sole proprietorship company.
2. The Manager or the Board, as the case may be, may call the General Assembly to convene whenever deemed necessary.
3. The Competent Authority, the auditor, or the shareholder may submit a request to the Manager or the Board, as the case may be, to call for a General Assembly meeting. In this case, the Manager or the Board, as the case may be, must call the General Assembly to convene within five (5) days from the date of the request submission. The invitation for the General Assembly meeting must be sent no less than twenty-one (21) days and no more than thirty (30) days from the date of the invitation.
4. If the invitation for the General Assembly meeting is announced for a period less than that specified in Article (93) of the Decree-Law, the call to convene the General Assembly shall be considered valid if approved by the shareholder.

Article (18)

Distribution of Profits

Taking into account the provisions related to a sole proprietorship company, the company must deposit the cash dividend distributions to the shareholder in accordance with the provisions of the Articles of Association, provided that the process of depositing cash dividends does not exceed thirty (30) days from the date of the resolution approving such distributions.

Article (19)

Inclusion of an Item on the General Assembly's Agenda

Taking into account the provisions related to a sole proprietorship company, the following shall be observed regarding the inclusion of any new item on the General Assembly's agenda:

1. The request for inclusion must be in writing, submitted, and signed by the shareholder.
2. Any critical issues may be included by the auditor, the Manager, the Board, or others for the General Assembly meeting, accompanied by supporting documents, records, and information. The provisions governing the organization of the General Assembly meeting's agenda items and their outcomes shall apply.

Article (20)

Transactions with Related Parties

Taking into account the provisions related to a sole proprietorship company, the company may not enter into transactions with related parties except in one of the following cases:

1. Approval of the Manager or the Board, as the case may be, if the value of the transaction does not exceed five percent (5%) of the company's capital.
2. Approval of the General Assembly by a special resolution if the transaction exceeds five percent (5%) of the capital. The related party is not permitted to participate in the voting on the General Assembly resolution regarding this transaction.
3. The Manager or the Board, as the case may be, must maintain proper and regular accounting books to give a true and fair view of the company's business status and explain its transactions. These books shall be kept in accordance with internationally recognized and applied accounting principles. The shareholder has the right to inspect the accounting books and any documents related to a transaction the company has entered into with a related party.

Article (21)

Applicability of Provisions for Limited Liability Companies or Joint-Stock Companies

in a Manner Consistent with the Nature of a Sole Proprietorship Company

Unless a specific provision is made in this resolution, the general provisions for a limited liability company shall apply to a sole proprietorship limited liability company, as shall the provisions for joint-stock companies, provided they do not conflict with the nature of a sole proprietorship limited liability company.

Article (22)

Provisions Governing Cases Not Specifically Addressed for the Company and Whose Nature is Inconsistent with a Joint-Stock Company

The following cases shall be regulated according to the standards and provisions specified for them as follows:

1. Board of Directors Membership:

The following provisions shall apply to the membership of the company's Board of Directors:

- a. Members of the Board of Directors shall be elected by the General Assembly through a secret ballot, unless the company's Articles of Association provide otherwise.
- b. Membership on the Board of Directors shall be terminated in any of the following cases:
 - (1) Death.
 - (2) Removal from membership by a resolution of the General Assembly.

(3) Resignation accepted by the General Assembly, taking into account legal liability in that regard.

(4) Failure to disclose a direct conflict of interest, unless the General Assembly decides to approve the continuation of membership and attendance at meetings without the right to deliberate or vote when a conflict of interest arises.

(5) There is no maximum limit for membership on other boards of directors.

2. Related Parties, Deals, and Transactions:

a. Any dealings or deals with related parties shall be presented to the General Assembly for ratification and approval if they amount to more than three percent (3%) of the company's capital. If they are less than that, this authority belongs to the Board of Directors, or to the Board of Managers if the company does not have a Board of Directors, or to the General Manager if the company does not have a Board of Managers.

b. Subject to the preceding clause (a) of this article, the General Assembly may increase or decrease the aforementioned percentage in accordance with the decision-making mechanism established in the General Assembly.

c. The company must create and maintain a real-time register to record contracts, deals, or transactions in which any related party has a relationship or interest.

d. Related parties must immediately disclose any of the deals or contracts referred to in this article.

e. Related parties, whether partners or members of the Board of Directors, must not participate in deliberations or vote on resolutions concerning any dealings or contracts where a conflict of interest exists.

f. The company must include dealings and contracts with related parties in the annual report and present them to the General Assembly.

Article (23)

Supervision of the Resolution's Implementation

The Competent Authority shall oversee the implementation of the provisions of this resolution.

Article (24)

Publication and Enforcement of the Resolution

This resolution shall be published in the Official Gazette and shall come into force on the day following the date of its publication.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by us:

Date: 18 / Muharram / 1444 H

Corresponding to: 16 / August / 2022 AD