

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

**The Cabinet,**

- Having reviewed:
- The Constitution; and
- Federal Law No. (1) of 1972 Concerning the Competences of Ministries and the Powers of Ministers, as amended; and
- Federal Decree-Law No. (32) of 2021 Concerning Commercial Companies; and
- Based on the Proposal of the Minister of Economy, and the Cabinet’s approval thereof,

**Hereby resolves as follows:**

**Article (1)**

**Definitions**

For the purpose of applying the provisions of the present Resolution, the following words and expressions shall have the meanings assigned thereto respectively, unless the context requires otherwise:

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|----------------------------|--|
| <b>State (UAE)</b>         | : The United Arab Emirates.  |
| <b>Ministry</b>            | : The Ministry of Economy.   |
| <b>Minister</b>            | : The Minister of Economy.   |
| <b>Competent Authority</b> | : The local authority in charge of corporate affairs in the relevant emirate.  |
| <b>Company</b>             | : A limited liability company.   |
| <b>General Meeting</b>     | : Comprising the Company’s owner in case of a sole proprietorship or all partners in case that the Company is owned by several partners. |

<b>Director</b>	: A director authorized to manage the Company, duly appointed by virtue of the memorandum of association, a separate agreement, or a decision by the general meeting or otherwise.
<b>Board</b>	: Board of directors.
<b>Registrar</b>	: The Companies' registrar, who is appointed by the Minister and who carries out his duties in the Ministry.
<b>Governance</b>	: A set of controls, standards and procedures that achieve corporate discipline in the Company's management, as per the international standards and techniques, by delineating responsibilities, duties, and scope of powers.
<b>Relevant Parties</b>	: Any of partners, general manager, board of directors or members of the supervisory board, as the case may be, or the executive management or employees of the Company, whenever they have transactions or contracts with the Company constituting any conflict of interests.
<b>Business Day</b>	: A normal business day of the relevant Competent Authority.
<b>Decree-Law</b>	: Federal Decree-Law No. (32) of 2021 on Commercial Companies.

## **Article (2)**

### **Applicability of the Resolution**

The provisions of the present Resolution shall apply to limited liability companies with regard to the following:

1. Procedures of the Company's incorporation and management in case of a sole proprietorship.

2. Regulating the cases in which the provisions prescribed for joint-stock companies are not applicable to the Company.

### **Article (3)**

#### **Provisions Governing the Incorporation of a Limited Liability**

##### **Sole Proprietorship**

1. The terms and conditions for the incorporation of a limited liability sole proprietorship shall hereby be established.
2. Subject to the provisions of Clause (1) above, the Competent Authority shall set the standards, terms, and conditions of the incorporation of a limited liability sole proprietorship, pertaining to matters where no particular provision is stipulated herein.
3. A limited liability sole proprietorship shall have a name derived from its object or its owner's name followed by the abbreviation "L.L.C" (a sole proprietorship).
4. A sole natural or legal person may incorporate a limited liability sole proprietorship or own the entire shares of an existing limited liability company to be a limited liability sole proprietorship.

### **Article (4)**

#### **Memorandum of Association of a Limited Liability Sole Proprietorship**

1. The memorandum of association of a limited liability sole proprietorship shall particularly include the following details:
  - a. The Owner's full name, nationality, date of birth and place of residence.
  - b. The Company's name, address, trade name (if any) and objects.
  - c. The Company's headquarters and branches (if any).
  - d. The Company's capital estimated value and method of estimation.
  - e. The Company's commencement and expiry dates (if any).

- f. The Company's management method, along with indicating the names of authorized signatories authorized to sign on behalf of the Company and their scope of powers.
  - g. Commencement and expiry of the fiscal year.
  - h. Percentage of profit and loss distribution (if any).
  - i. Any other details identified by the Competent Authority.
2. If the Company's memorandum of association includes the name of the Director(s), the full name, nationality, place of residence and powers shall be indicated.

## **Article (5)**

### **Procedures for Incorporating a Limited Liability Sole Proprietorship**

The following procedures shall apply to the incorporation of a limited liability sole proprietorship:

1. An incorporation application shall be submitted to the Competent Authority on the approved form, accompanied by the required documents, and the prescribed fees shall be paid.
2. The Competent Authority may request the adjustment or completion of any details or documents, pursuant to the provisions of the Decree-Law and the resolutions issued thereunder.
3. The Competent Authority shall issue its decision on the application for incorporating a limited liability sole proprietorship within (5) five Business Days from the date of submission of the application, completion of information and documents or introduction of adjustments. In case of rejection of the application, the rejection shall be reasoned; however, the expiry of the above time limit for decision on the application shall constitute an indication of rejection of the application.
4. If the application is rejected based on any of the cases referred to in Clause (3) above, the applicant or his representative may file a grievance before the Competent Authority within (15) fifteen Business Days. If the grievance is rejected or not decided

on within (15) fifteen Business Days from the submission date thereof, the applicant may appeal the same before the Competent Court, within (30) thirty days from the date of being notified of the rejection or the lapse of such time limit, as the case may be.

5. If the incorporation application is approved, the Competent Authority shall register the limited liability sole proprietorship in the Commercial Registry and issue a trade license thereto.
6. The Competent Authority shall provide the Registrar with a copy of the Company's trade license and memorandum of association via the electronic networking, as per the controls set by the Minister in this regard.

## **Article (6)**

### **Details and Documents Required to be Retained at the Headquarters of a Limited Liability Sole Proprietorship**

A limited liability sole proprietorship shall retain at its headquarters the following:

1. A copy of the memorandum of association and any updates or amendments introduced thereto.
2. A statement of cash amounts and the nature and value of assets owned by shareholders and the date of ownership.
3. Any other details, documents or records prescribed by virtue of the provisions of the Decree-Law and the implementing resolutions thereof.
4. Any other details or documents identified by the Competent Authority.

## **Article (7)**

### **Management of a Limited Liability Sole Proprietorship**

1. Subject to the provisions related to limited liability companies set forth in the Decree-Law, a limited liability sole proprietorship shall be managed by one or more Director(s), as decided by the Owner in the Memorandum of Association.

2. The General Meeting shall appoint the aforesaid Company's Director(s) unless the appointment is made in the memorandum of association or under a separate agreement.
3. In case of multiple Director(s), the Owner may appoint the board members and identify in their appointment decision their number and capacities, including chairman, vice-chairman, and members.
4. The term of office of the Director(s) shall be identified in the appointment decision.
5. The powers of the Director or administrative/financial boards and other boards shall be identified in the memorandum of association or the appointment decision, including the powers adequate to conduct the Company's business, take necessary actions to preserve its funds and work honestly and faithfully.
6. If a Board member's position becomes vacant, the Board may appoint an alternative member; provided that the appointment shall be presented at the first General Meeting to approve the appointment or appoint another member, unless the memorandum of association provides for otherwise.

## **Article (8)**

### **Meetings of the Board**

1. The Board shall hold its meetings as defined in the memorandum of association.
2. The Board's decisions shall be passed by the majority of votes of attendees represented at the meeting. In the event of a tie, the meeting's chairman shall have the casting vote, unless the memorandum of association provides for otherwise.
3. Before the Board calls for any General Meeting, the Board shall hold its meeting at least (30) thirty days before the date of the General Meeting, and shall notify the shareholders, after the Board meeting is over, of the Board's decisions by virtue of a detailed notice. The Owner shall be notified of the date proposed for the General Meeting, agenda and topics included in the agenda of the General Meeting.

4. Details of the topics considered, and decisions taken, including any reservations of members or dissenting opinions, shall be recorded in the Board meeting minutes, which shall be signed by the members who attended the meeting and the meeting rapporteur. If a member refrains from signing the minutes, his objection shall be recorded in the minutes and the objection reasons shall be mentioned if expressed. The Board meeting minutes shall be kept by the Board rapporteur.

### **Article (9)**

#### **Identifying the Functions and Duties of the Executive Management**

The Board or the Director authorized to manage a limited liability sole proprietorship, as the case may be, shall preserve its rights, exercise care as a prudent person would exercise and carry out all actions consistent with the Company's object and powers conferred on them.

### **Article (10)**

#### **Governance**

A limited liability sole proprietorship shall create a corporate Governance and discipline system, as per the professional norms and in a manner consistent with the nature of a sole proprietorship, which shall be approved by the Owner, either directly or through a General Meeting.

### **Article (11)**

#### **Accounts of the Company**

1. The Company shall prepare regular accounts, as per the international accounting standards and principles, so as to reflect a true and fair image about the Company's profits or losses for the fiscal year and the Company's positions at the end of the fiscal year and shall adhere to any requirements set forth in the Decree-Law and the resolutions issued in implementation thereof.

2. The Company shall apply the international accounting standards and principles when its interim and annual accounts are prepared and shall identify distributable profits.

## **Article (12)**

### **Appointment of the Auditor**

1. A sole proprietorship shall have one or more auditor(s) to be appointed and their remuneration shall be fixed by the General Meeting. The auditor shall be registered with the Ministry and licensed by the Competent Authority to practice the profession.
2. The auditor shall be appointed for one renewable year through which he shall audit accounts of the fiscal year.
3. The auditor shall practice his duties from the end of such General Meeting to the end of the subsequent Annual General Meeting (AGM) and shall comply with the provisions set forth in the Decree-Law and the resolutions issued in implementation thereof.

## **Article (13)**

### **Powers of the Auditor**

The auditor may, at all times, access all the Company's information, entries, books, records, documents and other papers. The auditor may ask for clarifications he deems necessary to perform his duties, and may also verify assets, rights, and obligations. If the auditor is unable to practice his powers and perform his duties, he shall record the same in a report to be presented to the Board or the Company's Director, as the case may be. If the Board or the Company's Director, as the case may be, fails to enable the auditor to perform his duties, the auditor shall send a copy of the report to the Owner. If the auditor then is unable to perform his duties, his report shall be sent to the Competent Authority or be presented to the General Meeting.



## **Article (14)**

### **Approval of the Balance Sheet**

1. Subject to Article (94) of the Decree-Law, the Director, or the Board, as the case may be, shall, after the balance sheet and the profit and loss statement are drawn up, obtain the approval of the Owner of the balance sheet and the profit and loss statement audited by the auditor, within the four months subsequent to the end of the fiscal year.
2. If the Owner fails to approve the balance sheet and the profit and loss statement within the time limit specified in Clause (1) above, the Director or the Board, as the case may be, shall submit an application to the Competent Authority, within (7) seven days to be calculated from the expiry date of the time limit set out in Clause (1) above, to call the Owner to consider the approval of the balance sheet, the profit and loss statement and the powers mentioned in Article (94) of the Decree-Law. The Competent Authority shall obligate the Owner to decide on the approval, within a period not exceeding (10) ten days from the date on which the Owner is notified. A copy of the balance sheet shall be lodged with the Competent Authority, in accordance with the time limits prescribed by the Competent Authority.

## **Article (15)**

### **Annual Report of the Auditor**

1. The auditor shall present to the General Meeting a report containing the details and information set forth in the Decree-Law.
2. The auditor shall attend the General Meeting and shall read out his report at the General Meeting, explaining any obstructions or interventions by the Board which he faced while performing his duties. The auditor's report shall be independent and neutral. The auditor shall give an opinion at the meeting on all matters related to his duties, particularly the Company's balance sheet, along with his observations on the Company's accounts and financial position and any violations therein. The auditor shall be responsible for the validity of the data set out in his report. The Owner may,

during the General Meeting, discuss the auditor's report and seek his clarification on the matters mentioned therein.

## **Article (16)**

### **Sale of Shares and Admission of Partners**

The following conditions shall apply to the sale of shares or the admission of partners into a limited liability sole proprietorship:

1. The Competent Authority's prior approval of sale shall be obtained.
2. Where no particular provision is stipulated in the present Resolution, all the terms, conditions and criteria of a limited liability Company shall apply in so far as being consistent with the nature of a limited liability sole proprietorship.
3. If the ownership of shares is transferred by inheritance, the Company shall remain effective for a temporary period until the status is adjusted; meanwhile, heirs shall appoint a person who will manage the Company on their behalf, within a period not exceeding (6) six months from the date of death. If the inheritance proceedings are completed, a limited liability sole proprietorship shall be converted into a limited liability company and the shares shall be registered so as to achieve the same.
4. A sole proprietorship form shall cease when partners are admitted, and the Company then shall be governed by the provisions of limited liability companies.

## **Article (17)**

### **Calling for a General Meeting**

1. The General Meeting shall be held at the call of the Director or the Board of directors at least one time a year, within the four months subsequent to the end of the fiscal year. The General Meeting shall be held at the place and time identified in the notice of meeting, subject to the provisions of the sole proprietorship.
2. The Director or the Board, as the case may be, may call for a General Meeting, as they deem necessary.

3. The Competent Authority, auditor or shareholder may submit an application to the Director or the Board, as the case may be, to call for a General Meeting. In such case, the Director, or the Board, as the case may be, shall call for a General Meeting within (5) five business days from the date of submission of the application. The General Meeting shall be held within a period of not less than (21) twenty-one days and not more than (30) thirty days from the date of call for the meeting.
4. If the General Meeting is called for before the meeting date within a period less than the period set out in Article (93) of the Decree-Law, the call for a General Meeting shall be deemed valid if approved by the shareholder.

## **Article (18)**

### **Distribution of Profits**

Subject to the provisions of a sole proprietorship, the Company shall deposit cash dividends to the shareholder as provided by the memorandum of association. The deposition of cash dividends may not exceed (30) thirty days from the date on which the approval of such dividends is issued.

## **Article (19)**

### **Introduction of Items to the General Meeting Agenda**

Subject to the provisions of sole proprietorships, the following procedures shall apply to the introduction of any new item to the General Meeting agenda:

1. The introduction shall be in writing via an application to be submitted and signed by the shareholder.
2. Any risky topics may be introduced by the auditor, the Director, the Board or otherwise to the General Meeting, accompanied by the supporting documents and information. The provisions prescribed for regulating items and results of the General Meeting shall apply to such introduction.

## **Article (20)**

### **Deals with the Relevant Parties**

Subject to the provisions of sole proprietorships, the Company may conclude deals with the Relevant Parties only in any of the following cases:

1. Approval of the Director or the Board, as the case may be, if the deal amount is less than (5%) of the Company's capital.
2. Approval of the General Meeting by virtue of a special decision where the deal value is more than (5%) of the capital. The Relevant Party may not vote on the General Meeting decision issued with regard to such deal.
3. The Director or the Board, as the case may be, shall duly maintain regular accounting books to reflect a true and fair image on the Company's business position and clarify its transactions. Such books shall be maintained according to the internationally recognized and applicable accounting principles. The shareholder may examine the accounting books and any documents related to a deal concluded by the Company with a Relevant Party.

## **Article (21)**

### **Application of the Provisions of Limited Liability or Joint-Stock Companies as Consistent with the Nature of Sole Proprietorships**

Where no particular provision is provided herein, the general provisions of limited liability companies and the provisions of joint-stock companies shall apply to limited liability sole proprietorships, in such a manner not contradicting with the nature of limited liability sole proprietorships.

## Article (22)

### Provisions Governing Cases Where No Particular Provision on the Company is Provided and Whose Nature is Inconsistent with Joint-Stock Companies

The following cases shall be governed according to the standards and provisions prescribed therefor, as follows:

#### 1. Board Membership:

The following provisions shall apply to the board membership:

- a. Members of the board of directors shall be elected through the General Meeting by secret ballot unless the Company's memorandum of association provides for otherwise.
- b. The board of directors' membership shall be terminated in any of the following cases:
  1. Death.
  2. Removal from membership under a decision by the General Meeting.
  3. Resignation accepted by the General Meeting, without prejudice to the legal liability in that respect.
  4. Failure to disclose the direct conflict of interests, unless the General Meeting approves that the member will remain in place and attend meetings, without having the deliberation or voting right, as long as a conflict of interest exists.
  5. There is no maximum period for membership in other boards of directors.

#### 2. The Relevant Parties, Deals and Transactions:

- a. Any transactions or deals with the Relevant Parties shall be presented to the General Meeting for approval if they exceed (3%) of the Company's capital, and if less, such competence shall be vested in the board of directors or the board of executives if the Company has no board of directors, or in the general manager if the Company has no board of executives.

- b. Subject to Clause (a) above, the General Meeting may increase or decrease the aforesaid percentage, as per the decision-making mechanism prescribed in the General Meeting.
- c. The Company shall create an automatically updated register in which contracts and deals or transactions to which any Relevant Party is a party or in which he has an interest.
- d. The Relevant Parties shall promptly disclose any of the transactions or contracts referred to in this Article.
- e. The Relevant Parties from among partners or the Board of Directors shall not participate in deliberations or voting on decisions on any transactions or contracts, as long as the conflict of interest exists.
- f. The Company shall include the transactions and contracts with the Relevant Parties in the annual report and present the same to the General Meeting.

### **Article (23)**

#### **Monitoring the Implementation of the Resolution**

The Competent Authority shall monitor the implementation of the present Resolution.

### **Article (24)**

#### **Publication and Entry into Force**

The present Resolution shall be published in the Official Gazette and shall enter into force as of the day following the date of its publication.

**Mohammed bin Rashid Al Maktoum**

**Prime Minister**

Issued by Us:

On: 18 Muharram 1444 AH

Corresponding to: 16 August 2022 AD