

**Federal Decree by Law No. (37) of 2022**  
**On concerning the Family Businesses**

**We, Mohammed bin Zayed Al Nahyan, President of the United Arab Emirates,**  
**Having reviewed the Constitution; and**

- Federal Law No. (1) of 1972, Concerning the Competences of Ministries and the Capacities of Ministers and its amendments thereof; and
- Federal Law No. (5) of 1985, Promulgating the Civil Transactions Law and its amendments thereof; and
- Federal Law No. (10) of 1992, Promulgating the Law of Evidence in Civil and Commercial Transactions and its amendments thereof; and
- Federal Law No. (11) of 1992, Promulgating the Civil Procedures Law and its amendments thereof; and
- Federal Law No. (18) of 1993, Promulgating the Commercial Transactions Law and its amendments thereof; and
- Federal Law No. (8) of 2004, Concerning the Financial Free Zones; and
- Federal Law No. (28) of 2005, Concerning the Personal Status and its amendments thereof; and
- Federal Law No. (7) of 2012, Regulating the Expert Profession before Judicial Authorities; and
- Federal Law No. (4) of 2013, Regulating the Profession of Notary and its amendments thereof; and
- Federal Decree by Law No. (9) of 2016, Concerning Bankruptcy and its amendments thereof; and
- Federal Law No. (14) of 2016, Concerning the Administrative Violations and Penalties in the Federal Government; and
- Federal Law No. (6) of 2018, Concerning Arbitration; and

- Federal Decree by Law No. (19) of 2019, Concerning Insolvency; and
- Federal Decree by Law No. (32) of 202, Concerning Commercial Companies; and
- Federal Decree by Law o. (37) of 2021, Concerning the Commercial Register; and
- Pursuant to the Proposal of the Minister of Economy, and the Cabinet's approval,

**Have promulgated the following Decree by Law:**

## **Article (1)**

### **Definitions**

In applying the provisions of this Decree by Law, the following words and expressions shall have the meanings assigned to each of them, unless the context stipulates otherwise:

<b>State</b>	: United Arab Emirates
<b>Ministry</b>	: Ministry of Economy
<b>Minister</b>	: Minister of Economy
<b>Companies Law</b>	: Federal Decree by Law No. (32) of 2021 Concerning Commercial Companies, or any other legislation to replace it
<b>Concerned Authorities</b>	: Federal and Local Governmental Bodies
<b>Competent Authority</b>	: The Local Authority concerned with Corporate Affairs in the Concerned Emirate, including Free Zones
<b>The Free Zone</b>	: The Financial and Non-financial Free Zone established in the State
<b>Family</b>	: Relatives by descent and marriage
<b>Family Business</b>	: Every company established in accordance with the provisions of the Companies Law. Most of its shares or stakes are owned by people belonging to a single family. It shall be registered in the register as a Family Business in accordance with the provisions of this Decree by Law. The Cabinet, based on the Minister recommendation, shall issue a resolution specifying what single family means

<b>Articles of Association</b>	: Articles of Association of the Family Business authenticated by the Concerned Authorities
<b>Family Charter</b>	: Written document that regulates the governance of family affairs related to the Family Business, and the Family relationship with the Family Business
<b>Register</b>	: The unified register of Family Businesses that is established in accordance with the provisions of this Decree by Law
<b>Partner/ Shareholder</b>	: Every owner of shares or stakes in the Family Business
<b>Share</b>	: The Partner share or the shareholder shares in the Family Business
<b>Committee</b>	: The Family Business Dispute Settlement Committee, stipulated in Article (20) of this Decree by Law
<b>Trustee</b>	: The Trustee appointed by the Court in accordance with the bankruptcy law, the insolvency law, or the legislation in force in the Free Zones, as the case may be

## **Article (2)**

### **Decree by Law Objectives**

This Decree by Law shall aim to achieve the following:

1. Develop a comprehensive and easily reached legal framework to regulate the ownership and governance of Family Businesses in the State, and facilitate their spread between generations;
2. Support the continuity of Family Businesses, and enhance the private sector role in economic growth and societal contribution in the State;
3. Provide appropriate mechanisms for dispute settlement related to Family Businesses; and
4. Enhance the contribution of Family Businesses to the State economy and its competitiveness.

## **Article (3)**

### **Scope of Application**

1. The provisions of this Decree by Law shall apply to any Family Business existing in the State at the time its provisions come into force, or Family Business established after the commencement of this Decree by Law. Shareholders who own the majority of its shares shall decide to register it in the Register as a Family Business in accordance with its provisions. Family Business shall take any form of companies stipulated in the Companies Law, including the One-Person Company, or the legislation in force in the Free Zones, as the case may be;
2. The Joint Stock Company and the Partnership Company shall be excluded from the scope of application of this Decree by Law;
3. The provisions of this Decree by Law shall apply to Family Businesses established in the Free Zones to the extent that they do not conflict with the laws, regulations and legislation of the relevant Free Zone that are applicable in relation to their organisation, incorporation or registration therein, and all matters related thereto; and
4. The provisions of this Decree by Law shall apply to Family Businesses established within the scope of any of the Emirates of the State, unless there is local legislation in that Emirate regulating these companies, in which case the application of the provisions of this Decree by Law is limited to areas that are not regulated or provided for by law. The Emirate may, through local legislation or decisions issued by the Competent Authority in this regard, allow companies registered within its jurisdiction in the Register in accordance with the provisions of this Decree by Law.

## **Article (4)**

### **Family Business Register**

1. Family Businesses that meet the terms and conditions set forth in this Decree by Law shall be registered in the Register for this purpose with the Ministry in coordination with the Competent Authority, which may have a special Register for registering Family

Businesses;

2. The Ministry shall issue a document stating that the Company is registered in the Register as a Family Business, and any change that occurs to the Family Business data when it is registered with the Competent Authority; and
3. The Minister, in coordination with the Competent Authority, issues a decision regarding the data and documents included in the Register and the procedures and controls for registering the Family Business in this Register.

## **Article (5)**

### **Articles of Association of the Family Business**

1. the Family Business Articles of Association shall be in accordance with the provisions and provisions contained in this Decree by Law, in addition to the provisions stipulated in the Companies Law or the legislation in force in the Free Zones, as the case may be; and
2. The Ministry shall establish a guide Articles of Association for Family Businesses to be consulted under the provisions of this Decree by Law.

## **Article (6)**

### **Family Charter**

1. the Family may have a Charter that includes rules for family ownership, goals and values, mechanisms for evaluating shares, methods of profit distribution, educating and qualifying family members to work in the Family Business and its subsidiaries, considering family disputes related to the Family Business, and other rules and provisions;
2. The Charter may specify the minimum educational qualifications and practical experience that the partners and family members shall have to work in the Family Business and its subsidiaries. Compliance with these standards shall be subject to audit by a committee affiliated with the Family Council, if any;
3. In the event of a conflict between the Articles of Association and the Charter, the

provisions of the Articles of Association shall apply and any provision in conflict with the Articles of Association or this Decree by Law shall be repealed from the Charter;

4. The Charter shall be approved or amended by a majority of the Family Council members, and if the Council does not exist, then by a majority of the Family partners;
5. The Family Business may deposit a copy of the Charter in the Register, and the manner of deposit, its controls and requirements, shall be issued by a decision of the Minister; and
6. The Ministry shall prepare one or more guide Charters for the Family to consult.

## **Article (7)**

### **Family Business**

1. As an exception to the provisions of the Companies Law or the legislation in force in the Free Zones, as the case may be, a Family Business may be owned by any number of partners;
2. The Family Business capital shall consist of shares that entitle its owners to equal or different rights in the Company profits, as agreed upon in the Articles of Association;
3. Family Business Shares may not be assigned except in accordance with the conditions stipulated in this Decree by Law; and
4. After any person joins the Family Business, accepting the provisions of its Articles of Association and Charter.

## **Article (8)**

### **The Partner Share Disposal**

1. If any of the partners desires to dispose of his share in the Family Business, he shall offer it to the rest of the partners from the Family. He may, as an exception to this, waive his share with or without compensation to his wife or any of his relatives up to the first degree without offering it to the rest of the partners. Neither the Charter nor the Articles of Association provide otherwise;
2. No company may dispose of its share to a foreigner from the Family, except with the

approval of partners who own at least three quarters of the capital, unless the Articles of Association provide for another percentage. It is permissible to agree between the partner willing to sell and the rest of the partners, provided that the desired shares are re-allocated. Selling it as Category (B) according to the provisions of Article (12) of this Decree by Law, temporarily or permanently, as long as the Family Business exists, as a condition to allow the sale of shares to a foreigner on behalf of the Family;

3. If a third party outside the Family owns the share of one of the partners other than the cases stipulated in Paragraph (2) of this Article, then the remaining partners may, within (60) sixty days from the date of the third party acquisition, request the recovery of this share. This shall be according to his share in the Family Business or more than his share if one or more partners do not wish to recover, at the value agreed upon between them and third parties, or at the value determined by the Committee in the event of non-agreement.
4. In the event that none of the partners requests to redeem that share, it will be offered to the Family Business. If this share has not been fully or partially redeemed within (30) thirty days from the date of its offer to the Family Business, then third parties shall be able to obtain it; In all cases, shares shall be assigned in accordance with the provisions of this Decree by Law and the legislation in force in the State; and
5. The ownership of the share of one of the partners by third parties outside the Family in accordance with Paragraph (3) of this Article does shall not lead to the loss of the Family Business. The percentage of ownership of the Family members shall not fall below the majority of the shares.

## **Article (9)**

### **Redemption Right**

1. In the event that one partner owns a share of no less than (90%) of the shares of the Family Business, he shall notify the non-family partners of his desire to buy their shares. They have the right to sell to him at the price that is agreed upon between them, or the Committee determines in accordance with Paragraph (2) of this Article at the request of

- any of them in the event of disagreement;
2. The shares shall be evaluated by the Committee in accordance with the mechanism stipulated in the Articles of Association or Charter. If the Articles of Association or Charter do not contain such provision, the share shall be evaluated by one or more experts with financial and technical expertise selected by the Committee at the Buyer expense; and
  3. In the event that one partner owns a share of no less than (95%) of the voting shares of the Family Business, he shall notify the rest of the Family partners of his desire to buy their shares. They may sell to him at the price agreed upon between them, or at the price that the Committee determines in accordance with Paragraph (2) of this Article at the request of any of them in the event of disagreement.

## **Article (10)**

### **Partner Bankruptcy or Insolvency**

1. In the event of bankruptcy or insolvency of one of the partners in the Family Business, the procedures and controls applicable in the Insolvency and Bankruptcy Laws in force in the State shall be followed. Any other partner shall have the right to priority purchase of the partner share at the price and period determined by the Court considering in bankruptcy or insolvency; and
2. In the event that the partners fail to own the partner share that entered into the bankruptcy as referred to in Paragraph (1) of this Article, the provisions stipulated in the Insolvency and Bankruptcy Laws in force in the State shall apply.

## **Article (11)**

### **The Family Business Purchase of its Shares**

1. A Family Business may purchase no more than 30% of its shares in the following cases:
  - a. Reducing its capital;
  - b. The purchase or redemption of some or all of the shares of one of the partners desire



- to sell, who is bankrupt or insolvent, and that there is no buyer of these shares among the partners;
2. It is required in all cases to be approved by partners who represent the majority of the shares represented in the General Assembly meeting in the Family Business, unless the Articles of Association provide for another percentage. The shares purchased or redeemed in this case shall not have a vote in the deliberations of the General Assembly as long as they remain in The ownership of the Family Business; and
  3. The Minister, in coordination with the Competent Authority, shall issue a decision regarding the procedures for purchasing the Family Business shares, in matters not provided for in a special provision under the provisions of the Companies Law or the legislation in force in the Emirate or in the Free Zones, as the case may be.

## **Article (12)**

### **Share Category**

1. A Family Business may issue two Categories of shares:
  - a. Share (A) entitle its owner to obtain profits and vote in the Company General Assembly; and
  - b. Share (B) entitle its owner to exclusively obtain profits without the right to vote.
2. The Articles of Association may stipulate the conditions governing the transfer of share (B) into share (A) or vice versa with time or any other condition. It may also provide for the division of share (A) or (B) into Categories according to the number of votes or the profits allocated to it. The sum of these shares shall equal the total shares of the Company; and
3. Pursuant in Paragraphs (1) and (2) of this Article, the Family Business may provide in the Articles of Association for other categories of shares that differ in terms of value, voting power, profits, priority rights and other rights or privileges. The partner liability shall be to the extent in conformity with the rights and privileges assigned to each of these shares. The Minister, in coordination with the Competent Authority, shall issue a decision specifying the terms and conditions relating to the various share categories.

## **Article (13)**

### **Profits Allocation**

The Family Business shall allocate a portion of its annual profits at the end of each fiscal year to its partners, each in proportion to his share in it, unless the Articles of Association stipulate otherwise.

## **Article (14)**

### **Family Business Management**

1. The Family Business shall be managed by a Director appointed in the Articles of Association. In the absence of a provision for this in the Articles of Association, he can be appointed by a subsequent decision of partners who own at least (51%) of the shares represented in the meeting of the General Assembly, unless Articles of Association stipulates another percentage. This Director may be one or more persons, whether from the partners themselves or from others, and may also be a legal person. If there is more than one Director of the Family Business, at least one of them shall be a natural person;
2. The Articles of Association of the Family Business with limited liability may stipulate the formation of a BOD to manage the Family Business, and its members are named in the Articles of Association. Articles of Association Rules, controls, and conditions governing the formation of the BOD, its powers, term of membership, fees for its members, their dismissal, appointment of replacements, the mechanism for making its decisions, its committees, and their powers, determining personal and objective criteria appropriate to membership of the BOD and its affiliated committees, and other issues;
3. The BOD – if any – shall have a Chairman, and the Director of the Family Business in this case follows the Chairman of the BOD in his capacity as a representative of the BOD, unless the Articles of Association stipulates otherwise. The membership of the BOD with the management of the Family Business may be combined. The Chairmanship of the BOD with the Management of the Family Business shall not be combined; and
4. The Director or member of the BOD shall be of legal age, full capacity, of good conduct,

and possessing the knowledge and experience that could reasonably be expected from another person in the same position.

## **Article (15)**

### **Director Competences**

1. Unless the Company Director appointment contract, Articles of Association or bylaws restrict the powers granted to the Director, he may exercise the powers and duties necessary to manage the Family Business, including the following:
  - a. Executive management of the Family Business;
  - b. Distribute the profits of the Family Business in the form decided by the Company General Assembly as stipulated in the Articles of Association and this Decree by Law;
  - c. Deduct from the profits or benefits payable to any partner, the amounts that may be owed by that partner in favour of the Family Business;
  - d. Represent the Family Business before the Committee, the judiciary and others;
  - e. Seek the assistance of whomever he deems appropriate to assist him in managing the Family Business;
  - f. Any other powers stipulated in the Articles of Association that do not conflict with the purposes of the Family Business and the laws in force in the State.
2. In the event of the death of one of the partners, the Director of the Company shall, unless the Articles of Association provide otherwise, take the place of the Trustee over the shares of the deceased partner. The Director of the Company shall supervise the procedures for transferring their ownership to his heirs, each according to his legal share. The Director of the Company shall take measures to amend the Articles of Association, after settling any Rights or debts that may be related to these shares in favour of the Family Business or third parties.

## Article (16)

### Director Obligations

1. Subject to the obligations stipulated in the Companies Law, the Director shall exercise the necessary care and diligence to manage the Family Business, and in particular, he shall comply with the following:
  - a. The Director shall not own or manage, directly or indirectly, for his own account or for the account of others, any economic activity that competes with the activity of the Family Business or its subsidiaries, unless the Articles of Association stipulate or the majority of partners agree otherwise;
  - b. The Director shall submit to the partners an annual report of his management of the Family Business;
  - c. The Director shall borrow in his personal name against the guarantees of the assets of the Family Business;
  - d. The Director shall not dispose of the Family Business assets except within the limits to achieve the purposes of the partnership and is permitted by the Articles of Association; and
  - e. Any other obligations stipulated in the Articles of Association.
2. The Director, in his management of the Family Business, shall take into account in particular:
  - a. Fair in dealing with all partners and not prioritising the interest of one partner over another;
  - b. Independent in his opinion, free from whims and personal interests, and to put the interest of the Family Business above any other consideration;
3. Without prejudice to the penalties prescribed in accordance with the legislation in force in the State, if it is proven that the Director has violated any of the obligations or responsibilities stipulated in this Decree by Law or the Companies Law, it is permissible to request his dismissal or compel him to pay compensation, if necessary, by a court ruling, unless he Articles of Association did not provide otherwise.

## **Article (17)**

### **Director Dismissal**

The Director shall be dismissed in the cases specified in the appointment contract or in the Articles of Association according to the same conditions for which he was appointed. If he is appointed for an indefinite period by an express provision in the Articles of Association, he may only be dismissed by the same majority required to amend the Articles of Association.

## **Article (18)**

### **Family Affairs Governance**

1. Family affairs may be regulated in relation to its relationship with the Family Business, through the establishment and organisation of the work of Councils and committees, such as the Family Association, the Family Council and the Family Office. They shall be concerned with – each in the field of tasks assigned to him – in managing family affairs and legalising their relationship with the Family Business. This shall include education, training its members and their work in the Family Business and its subsidiaries and their own entrepreneurship initiatives. It is concerned with separating the ownership and governance of the Family assets from the ownership and governance of the Family Business. It supervises the Family investments, organises its charitable works and community contribution initiatives, and contributes to controlling conflicts of interest and reconciliation. It shall Consider disputes that may arise between family members and between them and partners; and
2. The Ministry shall set rules and regulations related to regulating the governance of the Family Business and the Family, clarifying its terms of reference and other issues.

## **Article (19)**

### **Settlement of Family Business Disputes**

1. The Articles of Association or the Charter may include a provision according to which a BOD of partners, family members or third parties will be formed, the purpose of which is

to consider disputes that may arise between partners, between them and family members, and between these and the Family Business, and an attempt to reconcile them, and specifies members of this Council, its powers and mechanisms for managing its sessions and issuing its recommendations;

2. If the Articles of Association or the Charter does not include a provision regarding the formation of the Board in accordance with Paragraph (1) of this Article, or if the Board has not succeeded in its conciliation endeavours within a maximum period of (3) three months from the date the dispute was presented to it – unless an extension is made during this period by agreement – or it was agreed between the parties to the dispute not to refer their differences to that board, unless the Articles of Association stipulate otherwise. All disputes between partners, and between them and family members, and between them and the Family Business, that may arise from the Articles of Association or the management or ownership of the Family Business, or the application of the provisions of this Decree by Law, by the Committee;
3. The Committee shall decide on the appeal within a maximum period of (3) three months, which may be extended for a similar period at a reasoned request from the Concerned Parties. This committee has the right to take the necessary preventive and urgent measures it deems appropriate to maintain the continuity of the Family Business, and to prevent the interruption of its business or affecting its reputation or its financial position throughout the period of consideration of the dispute;
4. The Committee decisions shall be subject to appeal to the Competent Court in the State;
5. As an exception to the competence of the Committee stipulated in Paragraph (2) of this Article, the parties to the dispute may agree on the following:
  - a. Refer to Arbitration in accordance with the legislation in force in the State;
  - b. Refer to the existing courts in the financial Free Zones in the State;
6. The Committee shall provide the Ministry with an annual report on the disputes brought to it and the outcome of these disputes during the year.

## **Article (20)**

### **Family Business Dispute Settlement Committee**

A committee shall be established in each emirate called the "Family Business Dispute Resolution Committee" by a decision of the Minister of Justice or the head of the local judicial authority, as the case may be. Family Business. When the Committee considers Family Business disputes that are presented to it, it may seek the assistance of whomever it deems appropriate to be experienced and specialised.

## **Article (21)**

### **Settlement of Family Business Disputes in Financial Free Zones**

The settlement of disputes related to Family Businesses registered in the financial Free Zones shall be subject to the legislation in force in these zones.

## **Article (22)**

### **Interpretation of the Articles of Association and Charter**

1. In the absence or ambiguity of the explicit text in the Articles of Association or the Charter, the Articles of Association and the Charter shall be interpreted in accordance with the common intention of the Founders of the Family Business and its partners, and the goals and objectives for which it was established in a manner that helps its continuity, development, good management, smooth transition and disassociation from it and stay away from conflicts and their preservation from one generation to the next; and
2. If the Articles of Association or Charter includes a condition or provision that is inconsistent with the provisions of this decree by law or the legislation in force in the state or public order, the contract or Charter shall remain valid and the condition or provision shall be invalid.

## **Article (23)**

### **Expiry of the Family Business or its Expiry from the Register**

1. the Family Business shall cease to be a company if persons from outside the Family own the majority of its shares that have the right to vote in accordance with the provisions of this Decree by Law. At that time, the Family Business shall be cancelled from the Register at the request of any interested party or by a decision of the Competent Authority. The Company shall continue in the form it was It exists on it before it acquires the status of a Family Business, and its Articles of Association shall be amended accordingly. Any disputed issues related to this transition process shall be referred to the Committee;
2. For the termination of the Family Business in accordance with Paragraph 1 of this Article, part of whose capital consists of category (B) share, the Company shall offer to purchase these shares at the price determined by the Committee, unless the Seller and the Company agree on another price. Under the agreement, the Company shall reconcile its positions in accordance with the Companies Law;
3. The character of the Family Business shall not be extinguished by the death, interdiction, bankruptcy or insolvency of one of the partners, unless otherwise agreed upon in the Articles of Association. Insolvency, to amend the Company status in accordance with this Decree by Law and the Companies Law, and this period may be extended by a decision of the Competent Authority; and
4. If the partners who own at least three quarters of the Family Business capital, decide to request the Ministry to cancel the Family Business from the Register in accordance with the provisions of this Decree by Law.

## **Article (24)**

### **Correct Actions**

1. For the purposes of implementing the provisions of this Decree by Law, the organisation of family members for the provisions of ownership and transfer of shares or assets of the Family Business under the provisions of this Decree by Law or the laws in force in the



Free Zones. Whether this is through sale, donation or usufruct, is not in violation of the provisions of the Persons Status Law referred to, whenever it is accomplished during the life of the acting partner;

2. The heir has the right to remain in the Family Business as a partner to the extent of his inherited share, or to dispose of his share, provided that this disposal takes into account the provisions of Article (8) of this Decree by Law; and
3. The procedures, transactions and actions that took place before the Family Business was entered in the Register under any previous legislation, shall remain valid.

## **Article (25)**

### **Family Businesses Advantages and Incentives**

1. The Cabinet – based on the Minister proposal and after coordination with the Concerned Authorities and the Competent Authorities – to issue what it deems as decisions regarding the benefits and incentives granted to Family Businesses Registered in the Register, and the controls and conditions related to these benefits and incentives; and
2. The Competent Authority in the Emirate may grant any other benefits and incentives to Family Businesses in accordance with the controls and conditions issued in this regard.

## **Article (26)**

### **Application of the Provisions of the Commercial Companies Law**

1. Subject to the legislation in force in the Free Zones, Family Businesses shall be subject to the provisions of the Companies Law and other applicable legislation, in everything that is not specifically provided for in this Decree by Law; and
2. The Family Business shall not be considered a new form to be added to the forms of Commercial Companies mentioned in the aforementioned Companies Law.

## **Article (27)**

### **Repeals**

Any provision that violates or contradicts the provisions of this Decree by Law shall be repealed.

## **Article (28)**

### **Publication and Entry into Force of the Decree by Law**

This Decree by Law shall be published in the Official Gazette and shall come into force three (3) months after the day following the date of its publication.

**Mohammed Bin Zayed Al Nahyan**

**President of the United Arab Emirates**

**Issued by us at the Palace of the Presidency in Abu Dhabi:**

On: Rabi' al-Awwal 7, 1444 H

Corresponding to: October 3, 2022.