

Federal Law No. (3) of 2022 on Regulating Commercial Agencies

We, Mohamed bin Zayed Al Nahyan, President of the United Arab Emirates,

Having reviewed:

- The Constitution;
- Federal Law No. (1) of 1972 on the Competences of Ministries and the Powers of Ministers, as amended;
- Federal Law No. (18) of 1981 Regulating Commercial Agencies, as amended;
- Federal Law No. (11) of 1992 Promulgating the Civil Procedure Code, as amended;
- Federal Law No. (18) of 1993 Promulgating the Commercial Transactions Law, as amended;
- Federal Law No. (14) of 2016 on Administrative Violations and Penalties in the Federal Government;
- Federal Law No. (6) of 2018 on Arbitration;
- Federal Decree-Law No. (32) of 2021 on Commercial Companies;
- Federal Decree-Law No. (36) of 2021 on Trademarks;
- Federal Decree-Law No. (37) of 2021 on the Commercial Register; and
- Based on the proposal of the Minister of Economy, the approval of the Cabinet and the Federal National Council (FNC) and the ratification of the Federal Supreme Council,

Hereby enact the following Law:

Article (1)

Definitions

For the purpose of applying the provisions of the present Law, the following words and expressions shall bear the meanings assigned thereto respectively, unless the context

requires otherwise:

- The State (UAE)** : The United Arab Emirates.
- The Ministry** : The Ministry of Economy.
- The Minister** : The Minister of Economy
- The Competent Authority** : The local authority in the emirate concerned.
- The Committee** : The Commercial Agencies Committee.
- Commercial Agency** : The representation of a Principal by an Agent under a contract of agency, distribution, sale, offer or concession, or the provision of goods or services inside the State in exchange for a commission or profit
- Commercial Agencies Register** : A database to be established in the Ministry, in which the data of Commercial Agencies in the State are recorded.
- The Principal** : The producer or manufacturer that owns the goods or services inside or outside the State.
- The Agent** : The natural or legal person for whom the representation of the Principal is established under the Commercial Agency Contract.

Article (2)

Practice of the Commercial Agency Activity

1. The practice of the Commercial Agency activity in the State shall be limited to individual citizens and companies and establishments wholly owned by any of the following persons:
 - a. A natural person who is a UAE national;
 - b. A public legal person;
 - c. A private legal person owned by public legal persons; or

- d. A private legal person wholly owned by natural persons who are UAE nationals.
2. Subject to Clause (1) of this Article, the Cabinet may, upon the recommendation of the Minister, allow any international company, even if it is not owned by UAE nationals, to practice the Commercial Agency activity with regard to the products it owns, under the conditions and within the limits the Cabinet deems appropriate in this regard if the following requirements are met:
 - a. There shall be no commercial Agent for such Commercial Agency inside the State; and
 - b. The Commercial Agency shall be new and has not been previously registered in the State.
3. Subject to the provision of Clause (4) of this Article, public joint-stock companies which are established in the State and in which the shares of the UAE nationals are not less than (51%) of its capital shall be excluded from the provisions of Clause (1) of this Article.
4. The Cabinet shall, upon the recommendation of the Minister, issue a resolution on the procedures, controls and conditions for the companies set forth in Clause (3) of this Article to practice the Commercial Agency activity in the State.

Article (3)

Registration in the Commercial Agencies Register

The Commercial Agency activity may be practiced in the State only by the persons registered in the Commercial Agencies Register in the Ministry. Any Commercial Agency not registered in such Register shall not be valid.

Article (4)

Validity of the Commercial Agency

In order for a Commercial Agency to be valid, the Agent shall be engaged by the original Principal under a written and notarized contract, and the Commercial Agency shall be

registered in the Commercial Agencies Register.

Article (5)

Commercial Agency Contract

1. A Commercial Agency contract shall be deemed in the common interest of the contracting parties. The provisions of the present Law shall apply thereto, and any agreement to the contrary shall not be valid.
2. The courts of the State shall be competent to hear the disputes that may arise regarding the Commercial Agency contract.

Article (6)

Contract Term

If the contract stipulates that the Agent shall establish buildings for display, goods stores or facilities for maintenance or repair, the contract term shall be five years, unless otherwise agreed upon.

Article (7)

Utilization of the Multiple Services of an Agent or Distributor

1. The original Principal may utilize the services of one Agent in the State as one territory, and may also seek the assistance of one Agent in each emirate, or in a number of emirates, provided that the distribution of goods and services, subject to the Commercial Agency, is exclusive to such Agent within the agency's territory.
2. The Agent may utilize the services of a distributor in one or more emirate(s) covered by its Commercial Agency.

Article (8)

Entitlement to the Agent's Commission

The Agent shall be entitled to receive commission for the transactions concluded by the Principal itself, or through others in the territory designated for the activity of the Agent even if such transactions are not concluded as a result of the latter's efforts.

Article (9)

Expiration of the Commercial Agency Contract

1. The Commercial Agency contract shall expire in any of the following cases:
 - a. Upon the expiry of the contract term unless such term is renewed by the agreement of the contracting parties;
 - b. By the will of either the Principal or the Agent, subject to the terms and conditions of the Commercial Agency contract;
 - c. By the agreement of the contracting parties before the expiry of the contract term;
 - d. Upon the issuance of a final judgment on the expiration of the Commercial Agency;or
 - e. Any other case set out in the present Law.

2. Devolution of assets:

In any of the cases set out in Clause (1) hereinabove, and unless the parties agree otherwise, the assets of the old Agent shall devolve to the Principal or the new Agent at the fair value once the following conditions are met:

- a. The above-mentioned assets, including commodities, goods, materials, spare parts, machinery, ... etc. shall be related to the Commercial Agency contract.
 - b. The above-mentioned assets shall be agreed upon and in the possession of the old Agent at the time of termination of the Commercial Agency contract and there shall be no restriction on the transfer of ownership thereof.
3. Bringing goods and services into the State during the period of dispute:
 - a. In accordance with Clause (1) of this Article and subject to the approval of the

Ministry, goods or services may, during the period of the dispute arising between the Principal and the Agent and on a temporary basis, be brought into the State from exclusive sources, provided that the Principal is liable, throughout such period, towards the old Agent for compensation that may be awarded under a final judgment rendered by the competent courts.

- b. The Ministry shall, under a ministerial resolution, regulate the terms and conditions for bringing for the above-mentioned temporary period, so as to achieve limitation of the flow of services and goods during the period of the dispute.
4. Subject to Clause (2) of this Article and for the purposes of estimating the value of the assets, either the Principal or the Agent may institute an action before the court in whose jurisdiction the head office of the Commercial Agency is located to obligate the other party to pay the value of such assets as estimated by the court.

Article (10)

Controls and Provisions Regarding the Termination or Non-Renewal of the Commercial Agency Contract

1. Termination of the Commercial Agency contract:
Subject to Paragraph (b) of Clause (1) of Article (9) of the present Law, the party desiring to terminate the Commercial Agency contract, based on the terms and conditions of the Commercial Agency contract, shall comply with the following:
 - a. It shall serve a notice to the other party that it desires to early terminate the Commercial Agency contract, provided that the notice period is not less than one (1) year before the date set for termination or before the expiry of one half of the contract term, whichever is lesser, unless the two parties agree otherwise; and
 - b. Either Party may submit a detailed report prepared by a specialized professional entity on the settlement of dues, the warranties for non-discontinuation of after-sales services from the markets of the State, the valuation of assets and expected damage, and other details.

2. Resorting to the Committee:
 - a. The party that does not consent to the termination of the Commercial Agency contract based on the terms and conditions of the contract may resort to the Committee to challenge the request for termination of the Commercial Agency contract;
 - b. Either party may provide the Committee with the report prepared by the professional entity, referred to in Paragraph (b) of this Clause;
 - c. The Committee shall decide on the request for challenge set forth in Paragraph (a) of this Clause within one hundred twenty (120) days from the date it is recorded, provided that the expiry of such period without a decision shall be deemed rejection of the challenge; and
 - d. Without prejudice to the provision of Clause (3) of Article (9) of the present Law, the Commercial Agency contract shall remain in force until the expiry of the notice period or decision on the dispute by the Committee, whichever is later.
3. Non-renewal of the Commercial Agency contract:

The party that does not desire to renew the Commercial Agency contract shall serve a notice to the other party of non-renewal one (1) year before the expiry of the term of the Commercial Agency contract or before the lapse of one half of the term, which is lesser, unless both parties agree otherwise.

Article (11)

Claim for Compensation

1. Without prejudice to Clause (2) of Article (9) of the present Law and unless there is an express agreement to the contrary, if the Commercial Agency contract expires based on the provision of Clause (1/a) of Article (9) of the present Law, the Agent may claim compensation from the Principal for the damage sustained as a result of the expiry of the contract.
2. If the termination of the Commercial Agency contract in accordance with the provisions

of Clause (1/b) of Article (9) of the present Law causes harm to either party thereto, the injured party may claim compensation for the damage it has sustained. Moreover, the Agent shall be entitled to receive compensation if it proves that its legitimate activity has contributed to achieving apparent and great success of the Principal's products and has led to the promotion of such products or the increase in the number of customers and that the termination of the Commercial Agency contract has led to depriving the Agent of the profit for such success.

Article (12)

Submission of an Application for Registration in the Commercial Agencies Register

The application for registration in the Commercial Agencies Register shall be submitted to the Ministry. The Minister shall issue a resolution specifying the data to be included in the application. The application for registration shall be accompanied by the supporting documents, particularly the following:

1. A copy of a valid business license; and
2. A copy of the Commercial Agency contract certified and notarized by the official authorities.

Article (13)

Consideration of the Application for Registration

The Ministry shall consider the application for registration in the Commercial Agencies Register and issue its decision thereon within ten (10) working days from the date of completion of the requirements for registration. If it is decided to accept it, the Ministry shall issue an accredited certificate to this effect and notify the Competent Authority and the relevant authorities of the same.

Article (14)

Rejection of the Application for Registration

1. The Ministry may, if the application for registration submitted thereto is rejected, indicate the reasons for such rejection, and shall notify the person concerned of the rejection decision by registered letter or by hand or email.
2. Failure to reply within ten (10) working days from the date of submission of the application which meets the requirements shall be deemed as a rejection decision.
3. A party whose application has been rejected may challenge the same before the competent court within sixty (60) days from the date of being notified of the rejection decision or becoming aware thereof or from the day following the lapse of the ten (10) days specified in Clause (2) of this Article.

Article (15)

Change or Amendment to the Commercial Agencies

1. The Agent, his legal representative or his heirs, in case of his death, shall submit an application to the Ministry concerning any change or amendment which may be made to the Commercial Agency in order to be annotated and to be include in the Commercial Agencies Register, within sixty (60) days from the date of becoming aware of such change or amendment.
2. The Ministry shall notify the federal and local authorities in charge of the customs affairs, the Competent Authority and the relevant authorities of the amendments and changes referred to above.

Article (16)

Striking off from the Commercial Agencies Register

1. The Agent or its legal representative shall, if it no longer meets any of the conditions set forth in the present Law or if the Commercial Agency has expired and has not been renewed, submit an application to the Ministry for striking off the Commercial Agency

from the Commercial Agencies Register no later than sixty (60) days from the date of occurrence of the reason for striking off. The Ministry shall strike off the same from the Register.

2. The Ministry may strike off the same on its own once it has verified that any of the conditions set forth in the present Law is no longer met ten (10) working days after notifying the relevant authorities.
3. The Ministry shall notify the federal and local authorities in charge of the customs affairs, the Competent Authority and the relevant authorities of the strike-off decision.

Article (17)

Documents to be Submitted to Amend or Strike off the Commercial Agency

The application for amendment or strike-off shall be accompanied by the supporting documents. The Ministry may request the applicant for amendment or strike-off to complete any documents it may deem necessary for effecting such amendment or strike-off.

Article (18)

Extract from the Registration Sheet in the Register

Any interested party may obtain from the Ministry an extract from the registration sheet in the Commercial Agencies Register and may also obtain a certificate indicating that the registration has not been made.

Article (19)

Duties of Agents

Agents shall:

1. Provide the spare parts, tools, materials, fittings and accessories necessary and sufficient for the maintenance of durable goods; and
2. Provide the maintenance services, the subject-matter of the agency, in accordance with the agreement of the two parties.

Article (20)

Prohibitions

1. Goods, products, manufactures, materials or other property, the subject-matter of any Commercial Agency registered in the Ministry may not be entered for the purpose of trading by means other than the Agent. The customs departments may not release such imports brought by other than the Agent, except with the approval of the Ministry or the Agent. The customs departments shall notify the Ministry or the Agent, as the case may be.
2. The customs departments, the relevant authorities and the Competent Authorities, each within its respective area of competence, shall, at the request of the Agent through the Ministry, attach such imports and keep them in the warehouses of the ports or the importer until the dispute is adjudicated.
3. The Ministry may, by a justified decision, allow the entry of the goods and commodities and the provision of the services, the subject-matter of the Commercial Agency contract on a temporary basis.

Article (21)

Release of Activities or Materials

1. The Cabinet may, upon the recommendation of the Minister and after coordination with the competent entities identified by the Cabinet, release any activities or materials from Commercial Agencies, in accordance with the controls set thereby, provided that the Cabinet Resolution sets a date for release of such activities or materials.
2. The Ministry shall strike off the Commercial Agencies related to the activities and materials released from the Commercial Agencies Register.

Article (22)

Administrative Penalties

The Cabinet shall issue the regulations for violations and administrative penalties which

shall apply to any person that violates any provision of the present Law.

Article (23)

Commercial Agencies Committee

A committee to be known as "the Commercial Agencies Committee" shall be established. The Cabinet shall issue a resolution determining its formation, its rules of procedure, its members' remunerations and fees for hearing disputes before it.

Article (24)

Competences of the Committee

1. The Committee shall be competent to hear any dispute arising between the parties to a Commercial Agency registered with the Ministry. No action shall be admitted before courts in this regard before referral to the Committee. The Committee shall start hearing the dispute within twenty-two (22) working days from the date of submission of the application for hearing the dispute thereto if the application is complete or from the date of completion of the required documents. For the purpose of performing its duties, the Committee may solicit the assistance of any person it deems fit. In all cases, the Committee shall decide on the dispute within one hundred twenty (120) days from the date of submission of the application. Otherwise, either party may resort to courts within sixty (60) days from the date of lapse of such time limit.
2. The Committee's decision and referral of the dispute to courts shall not be subject to challenge after the lapse of sixty (60) days from the date of notification of the Committee's decision which, in such case, shall have the same force of a writ of execution.

Article (25)

Seeking Assistance of Experts

In the course of carrying out its competences, the Committee may seek assistance of experts

or specialized entities in accordance with the controls and conditions set in its rules of procedure.

Article (26)

Resorting to Arbitration

1. The provisions of the present Law shall not prejudice any agreement between the Agent and the Principal to refer any dispute which may arise between them to arbitration.
2. The above-mentioned arbitration shall take place inside the State, unless the parties agree otherwise.
3. If the Agent or the Principal resorts to arbitration after the issuance of the Committee's decision within the challenge period prescribed in Article (24) of the present Law, the decision issued by the Committee in this regard shall neither have any effect nor entail any consequences.
4. As an exception to the provision of Article (31) of the present Law, the provision of Clause (1) of this Article shall not apply to Commercial Agency contracts in respect of which a dispute arises and is being heard before the Committee or the competent courts before the publication of the present Law in the Official Gazette.

Article (27)

The Capacity of Judicial Officers

1. The employees of the Ministry or the Competent Authority identified by a resolution of the Minister of Justice or the chairman of the local judicial authority, in coordination with the Minister or the chairman of the Competent Authority, as the case may be, shall have the capacity of judicial officers to detect the violations of the provisions of the present Law, each within his respective area of competence. To this end, they may:
 - a. Have access to the documents and papers related to the Commercial Agency and registration in the Commercial Agencies Register to prove acts committed in violation of the provisions of the present Law and the resolutions issued thereunder;

- b. Conduct inspection, detect violations and refer the same to the authorities in charge of investigation and trial; and
 - c. Seek assistance of the competent security agencies in cases so require.
2. The Agent shall provide the said employees with the necessary data, information and documents to perform their work and facilitate their tasks.

Article (28)

Repeals

1. Federal Law No. (18) of 1981 Regulating Commercial Agencies is hereby repealed. Moreover, any provision contrary to or contradicting the provisions of the present Law is hereby repealed.
2. The resolutions and regulations in force prior to the entry into force of the provisions of the present Law shall remain in force, in a manner not inconsistent with the provisions hereof, until the issuance of resolutions and regulations that replace the same.

Article (29)

Implementing Resolutions

Without prejudice to the competences of the Cabinet set out in the present Law, the Minister shall issue the resolutions necessary for implementing the provisions of the present Law.

Article (30)

Final Provisions

1. The provisions of expiration of the Commercial Agency stipulated in Clauses (a) and (b) of Article (9/1) of the present Law shall not apply to Commercial Agency contracts in force at the time of issuance thereof, except after the expiry of two (2) years from the date of its entry into force.
2. As an exception to the previous clause, the provisions for expiration of the Commercial Agency stipulated in Clauses (a) and (b) of Article (9/1) of the present Law shall not

apply to Commercial Agency contracts in force at the time of issuance thereof, except after the expiry of ten (10) years from the date of its entry into force, as for Commercial Agencies that have been registered for the same Agent for more than ten (10) years or Commercial Agencies in which the volume of the Agent's investment exceeds (AED 100,000,000) One Hundred Million Dirhams. The volume of the Agent's investments shall be evaluated in accordance with the standards and controls set by the Minister.

Article (31)

Publication and Entry into Force of the Law

The present Law shall be published in the Official Gazette and shall enter into force six (6) months from the date of its publication.

Mohamed bin Zayed Al Nahyan
President of the United Arab Emirates,

Issued by Us at the Presidential Palace - Abu Dhabi:

On: 19 Jumada Al Awwal 1444 AH

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