

### **Avoid being penalized!**

New Companies Law (Federal Law 2 of 2015) replaces the previous Commercial Companies Law (Federal Law No. 8 of 1984). All MOAs prepared as per previous Companies Law require to be amended to bring them in compliance with the new Companies Law.

New Law has introduced several new concepts besides making substantial modifications to existing provisions. These changes include (but not limited to) pledge of shares, valuation of non-cash shares, non-compete provisions, accounting & audit requirements, general assembly meetings and corporate governance etc. Particular attention needs to be paid to the following vulnerabilities-

- Powers for removal of managers
- Manager holding management positions in two companies
- Valuation of shares contributed in kind (non-cash shares)
- Profit sharing
- Side agreements/arrangements with local Partner
- Quorum for general meeting
- Provisions relating to proxy
- Pledge of shares by a partner
- Transfer of shares by a partner

New Law mandates that the MOA shall include the following-

- a) The share capital of the company, the shares of every partner, the full name, the nationality, place of residence, contact numbers, the estimated value of such shares, the means by which they are assessed;
- b) The method by which the company is to be managed, with particulars of the names of those persons who may sign on behalf of the company and the extent of their powers;
- c) The commencement date and the expiry date of the fiscal year;
- d) If the Memorandum of Association of the company contains the name(s) of the manager(s), the full name, nationality, place of residence, contact numbers and power of each such manager shall be stated.

Existing MOA requires an overhaul with professional advice—mere cosmetic changes will not help. Hope you will carry out amendments to MOA in good time.

As you are aware the last date for amending Memorandum of Association (MOA) of existing limited liability companies (LLCs) has been extended up to **30<sup>th</sup> June 2017**. Delays beyond the extended deadline can result in **AED 2,000** per day fine.

Please contact our help desk should you require any assistance.

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