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DMCC implements new set of rules for ease of doing business

Dubai Multi Commodities Centre (DMCC) is a Free Zone and Government of Dubai Authority with focus on commodities trade and enterprise.

Since its establishment in 2002 the ease of doing business has been at the heart of DMCC's offering.

The new regulations will be effective as of January 2, 2020 and will update DMCC's existing company law framework, providing greater flexibility and ease of operations for businesses registered within DMCC and increasing the remit of their activities. The new regulations also make it easier to set up a company in DMCC.

The overhaul changes to the DMCCA company regulations 2020 (Company Regulations) called for introduction of new rules or amendment of existing ones (e.g. employment rules; licensing rules, community regulations 2019; officer rules; health safety and environment regulations 2019).

Key enhancements to the framework are the following changes:

Summary of Changes

KEY CHANGES	WHAT IT MEANS IN PRACTICE
Flexibility on the adoption of the Articles of association (AOA)	Companies have now possibility to adopt their own AOA, provided they meet the required standards and conditions of the DMCC Company Regulations. Previously companies were obliged to adopt the model articles of association provided by DMCC. Existing companies should revisit their cur-

	rent AOA to assess whether the adoption of new articles is required to align with existing business models.
Share types	Companies will have the option to structure their shareholdings by issuing other share types than ordinary shares (e.g. treasury, preference, redeemable, bonus share etc.). Previously companies could only issue ordinary shares. The rights of each type or class of shares must be stipulated in the AOA. Hence the AOA would need to be adopted accordingly. This change will give the companies more flexibility in terms of raising capital, attracting investment, pushing dividend income in a certain direction, removing (or enhancing) voting powers of certain individuals or motivating staff (to remain as employees).
Dormancy	The Company Regulations introduce a dormant company status to enable a voluntary suspension of a commercial license for a period of up to twelve months or longer period approved by the Registrar. Even though this option did not exist before in the previous regulations, in practice DMCC allowed the temporary ceasing of the license in certain circumstances. With the new Regulation however, the procedural steps and consequences become more defined and clearer for business owners. This option allows for the suspension of the operations and remove employees if the company deem appropriate for the business without going through the entire winding up process and re-establishment, if they decide to incorporate the business again. The dormancy status proposes a more cost-efficient option to business owners. Procedural rules on the dormancy status can be found in the licensing rules, which will also come into effect on the same day as the Company Regulations.
Officer Rules	DMCC introduced separate rules for officeholder (Officer Rules) which will come into effect on

	the same day as the Company Regulations (January 2, 2020). These Officer Rules set out the principles or rules governing the conduct, action, roles, responsibilities, procedures, arrangements relating to directors, secretaries and managers of a DMCC entity. We suggest that all officeholder should make themselves familiar with these Rules to understand their rights and obligations, in particular understanding the consequences for breach of duties. Companies should adjust the AOA accordingly with regards to the duties and responsibilities of officeholders.
Number of Directors	The previous company regulations propose for a minimum number of directors of one (1) and a maximum of six (6) directors. The minimum number of directors remained the same, but the Company Regulations do not stipulate the maximum number of directors anymore. However, the company must mention all directors in the AOA. We suggest for companies to amend the AOA accordingly in accordingly to the above
Audited financial statement	Currently company must prepare and submit a copy of the financial statement to DMCC within three (3) months after the end of its financial year period. With the new Regulation this period was extended to six (6) months.
Winding up, insolvency	The Company Regulations proposes more detailed steps on winding up and insolvency compare to the previous regulations. It suggests four modes of winding up: • solvent winding-up • summary winding-up • insolvent winding-up • involuntary winding-up by the competent court

	and outlines specific obligations for each mode.

DMCC announced the issuance of further guidance notes to support the understanding of the application of the Company Regulations.

MENA LEGAL will be delighted to assist you with the adoption of the new rules within the AOA and other relevant documents of the company.

MENA LEGAL will remain attentive to the development of the changes and keep you informed.

For more information, please contact: info@mena-legal.com

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- ✓ Oil & Gas and Mining, Petrochemicals
- ✓ Fintech and Blockchain
- ✓ Renewable Energy and Environmental Technologies
- ✓ Security and Defence
- ✓ Hotels and Leisure Properties
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- ✓ Education, Sport and Events

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- ✓ Labour law
- ✓ Inheritance law and wills