

NEWSLETTER 4/2016 (26. June 2016)

In this Newsletter we would like to inform you about recent developments at SCHLÜTER GRAF and provide you with an overview of legal changes introduced in the United Arab Emirates (UAE) and Saudi Arabia (KSA).

Germany

I. SCHLÜTER GRAF opens Office in Hamburg

It is a pleasure for us to announce the opening of our new office in Hamburg, Germany. With our new location we strive to serve companies in the north of Germany seeking legal advice for their business operations in the Middle East.

Our colleague in Hamburg, Rechtsanwältin Anja Christine Adam, who also worked as Legal Consultant in the Middle East for 9 years, offers comprehensive legal advice for companies and individuals regarding corporate and commercial matters in the Middle East.



Contact:

Schlüter Graf
 Großneumarkt 20
 20459 Hamburg

Tel: +49 / 40 / 380 755 75
 Fax +49 / 40 / 380 756 86

adam@schlueter-graf.de

United Arab Emirates

I. Extension of Time Limit for Modification of Memorandum of Association

The new Commercial Companies Law (Federal Law No. 2 of 2015) stipulates in article 374 a transitional period of one year to amend the Memorandum of Association of the companies in

accordance with the new Commercial Companies Law. In case of non-compliance with this requirement, companies may face penalties or even dissolution. This transitional period started on July 1, 2015 and ends on June 30, 2016.

As reported in newspapers, the UAE Cabinet has recently extended this period for an additional year until July 1, 2017. This decision was justified by pointing out the difficulty of holding general assemblies for some companies and implementing the changes until June 30, 2016.

However, it should be noted that the Cabinet's decision so far has only been published in the media and not in the Official Gazette. In any case, we recommend implementing the changes in a timely manner.

II. Ministerial Resolution regarding the new Companies Law

The Ministry of Economy has recently issued a ministerial resolution (Ministerial Resolution No. 272 of 2016) aimed at clarifying certain ambiguous provisions of the new Commercial Companies Law (Federal Law No. 2 of 2015) with regard to Limited Liability Companies (LLC's).

In this regard, Article 104 of the new Commercial Companies Law stipulates that the provisions relating to Joint Stock Companies shall also apply to Limited Liability Companies. The fact that several provisions relating to Joint Stock Companies were not directly applicable for LLC's resulted in uncertainties regarding the interpretation of article 104.

The Ministerial Resolution, which came into effect on April 29, 2016, now clarifies which articles of the new Commercial Companies Law shall apply to Limited Liability Companies and which articles are not be applicable to the same.

III. Establishment of the Emirates Maritime Arbitration Centre (EMAC) in Dubai

Decree No. 14 of 2016 has been published in the May edition of Dubai's Official Gazette. The Decree is the legal basis for the establishment of the Emirates Maritime Arbitration Centre (EMAC), which shall serve as an alternative dispute resolution mechanism for the marine industry.

IV. Transfer of Companies from one Free Zone to another

The Jebel Ali Free Zone Authority in Dubai recently published its new regulations (Jebel Ali Free Zone Companies Implementing Regulations 2016), which shall enable the transfer of companies from other Free Zones to the Jebel Ali Free Zone (Part 5, article 88 et seq.).

In the past, a transfer of a company from one free zone to another free zone was not possible. Companies who wished to operate in a different free zone had to establish a new company in that particular free zone and dissolve the old company, if deemed necessary.

As per verbal information obtained from the Jebel Ali Free Zone Authority, the new regulations shall come into effect in September 2016.

V. Health Insurance in the UAE

On January 1, 2014 the Dubai Health Insurance Law No. 11 of 2013 came into effect. The Law is aimed ensuring adequate health insurance for all employees working in Dubai. Although the Law came into effect on January 1, 2014, its regulations shall be implemented in 3 phases:

Phase 1:	September 1, 2014	Employers with more than 1,000 employees
Phase 2:	August 1, 2015	Employers with 100 to 1,000 employees
Phase 3:	June 30, 2016	Employers with less than 100 employees; spouses; maids; family members

The deadline for employers with less than 100 employees expires on **June 30, 2016**. Employers who fail to implement the law by then will not be able to grant visas to new employees and existing visas will not be renewed. The Law also stipulates that non-compliance with the regulations may result in fines between AED 500 and AED 150,000.

It should be noted that private individuals also have to insure their family members, spouses and domestic workers in accordance with the Law. However, the Dubai Health Authority has announced on their official website that the period for implementation of the Law for private individuals will be extended until December 31, 2016¹. Private individuals are, therefore, obliged to insure their family members, spouses and domestic workers in accordance with the Dubai Health Insurance Law by **December 31, 2016**.

¹ <https://www.dha.gov.ae/en/DHANews/Pages/DHANews2092670385-02-06-2016.aspx>

Kingdom of Saudi Arabia

The New Commercial Companies Law

Saudi Arabia has enacted a new Commercial Companies Law (Commercial Companies Law No. 1437H/2015G), which came into effect on May 2, 2016. The new Commercial Companies Law shall significantly facilitate foreign investment in Saudi Arabia.

The new Commercial Companies Law contains numerous reforms relating to Limited Liability Companies (LLC) and Joint Stock Companies (JSC). LLC's may now be established with a sole shareholder (article 154 of the new Commercial Companies Law). In accordance with the new provisions, Joint Stock Companies may now be established by 2 instead of 5 shareholders. The share capital for Joint Stock Companies was reduced from SAR 2 million to SAR 500,000. However, it remains to be seen whether this also applies to foreign investors.

This article only constitutes a simplified and shortened description of some legal developments and can in no way replace legal consultation. The team at SCHLÜTER GRAF will gladly support you in case of any questions.

CONTACT:

SCHLÜTER GRAF

The Citadel Tower, Offices 2001-2005

Business Bay, P.O. Box 29337

Dubai/Vereinigte Arabische Emirate

Tel.: +971 / 4 / 431 3060

Fax: +971 / 4 / 431 3050

RA Dounia Aghdoubé (aghdoubé@schlueter-graf.com)

RA Andrés Ring (andres.ring@schlueter-graf.com)