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With this newsletter we would like to inform you about recent legal developments in the United Arab Emirates (UAE).

I. Amendment of the Articles of Association of LLCs

The Commercial Companies Law (CCL; Federal Law No. 2 of 2015) provides in Art. 374 a transitional period for the amendment of the Memorandum and Articles of Association ("MoA") of all companies to which the CCL is applicable. This period ended initially in July 2016 but was extended until July 2017.

By Ministerial Decision No. 694 of 2017 the Ministry of Economy has taken a completely different approach with regard to the implementation of the CCL. All new companies which have been established after the effective date of the CCL (i.e. 01.07.2015) have to be compliant with the CCL. All existing companies (i.e. established before 01.07.2015) do not have to amend their MoA anymore. Pursuant to Art. 3 para. 2 of the Ministerial Decision No. 694 of 2017 any provision in the MoA which is not consistent with the CCL will be deemed null and void and replaced by the respective article/provision of the CCL.

Nonetheless, we recommend amending the MoA of existing companies as well as the CCL provides beneficial new options for the companies (e.g. quorum, majorities, means of communication, pledge of shares etc.). If the MoA will not be amended and the respective article of the CCL will be applicable, situations may arise which have not been intended. For example, the CCL states that the quorum at the second general meeting shall be at least 50% of the shareholders present or represented. However, it is legally admissible to increase the percentage for the quorum. Without a respective increase in the MoA, the CCL would be applicable which would result in the possibility for the Emirati 51% shareholder to pass resolutions without the presence of the foreign investor.

II. New Commercial Fraud Law

Against the background of Dubai's reputation as a hub for counterfeit goods, the UAE government has issued the new Federal Law No. 19 of 2016 ("Commercial Fraud Law") which came into effect in December 2016 and replaced Federal Law No. 4 of 1979. The new law provides more severe penalties for dealing with counterfeit goods (up to AED 250,000 or imprisonment) and new definitions in order to effectively fight commercial fraud and infringement of intellectual property. For example, the definition of a counterfeit good now also includes not only identical products but also similar products which bear a registered trademark without the respective authorization. Furthermore, the Commercial Fraud law is also applicable in free zones and companies located in free zones.

As of December 2016, the sale, display, possession, import, export, re-export, manufacturing, storage, rental and marketing of counterfeit goods will be deemed as commercial fraud. By extending the scope of applicability the competent authority has closed a loophole which existed under the old law: re-exporting counterfeit goods was not considered as an act of commercial fraud and hence infringers used this loophole to circumvent the law and avoid sanctions.

III. Criminal Procedure Law

Dubai has issued with Dubai Law No. 1 of 2017 a regulation that allows public prosecutors to issue a penalty order – without the involvement of the court – for certain crimes. Such penalty orders can be issued for misdemeanors and minor breaches of law for which the respective law prescribes as a punishment either only "fine" or "fine or imprisonment". This includes, inter alia, fraud (Art. 399 UAE Penal Code), issuance of cheques without funds (Art. 401 UAE Penal Code), embezzlement (Art. 404 UAE Penal Code) and fraud in commercial transactions (Art. 423 UAE Penal Code).

An objection against a penalty order can be filed within 7 days after issuance of the penalty order. After the expiry of the appeal period, the penalty order becomes final and binding.

IV. Dual License for DIFC Companies

The Dubai International Financial Center signed a memorandum of understanding with Dubai Economy (formerly known as Department of Economic Development) which allows DIFC companies to obtain licenses to operate in the Dubai mainland.

Such dual licenses will allow non-regulated DIFC companies (non-financial companies) to carry out their activities in Dubai mainland without the requirement of establishing and licensing a separate entity in Dubai mainland.

However, it remains to be seen when and how the memorandum of understanding will be implemented and if the issuance of a dual license would still require the lease of an office in Dubai mainland. Another issue which remains unclear, is whether employees of the DIFC company can legally work in Dubai mainland without any special or separate work permit or no objection certificate of the Ministry of Human Resources and Emiratisation.

V. New Pledge Law

Federal Law No. 20 of 2016 on Mortgaging of Moveable Assets as Security for Debts ("**Pledge Law**") which came into effect in March 2017 now allows to create mortgaging rights for any current or future material or moral moveable property in order to secure a contractual debt.

The creditors do not necessarily have to have the assets in their possession in order to establish a mortgage right. As per the new Pledge Law a new Security Registry will be implemented which will substitute the requirement of being in possession of the mortgaged asset.

The new Pledge Law provides a one year transitional period for creditors who already have a mortgage right over an asset to register this right with the new Security Registry in order to secure one's ranking position. For creditors who wish to register a new mortgage right it is recommend to investigate and clarify whether a mortgage right has been already granted over that specific asset and if so, on which ranking position.

This newsletter constitutes a simplified and shortened description of some legal developments and in no way replaces legal consultation. The team at SCHLÜTER GRAF will gladly support you in case of any

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