SQUIRE PATTON BOGGS

Commercial Companies Law Amendment Allowing for Class Shares, Non-profit Companies, Company Migration and Deadlock Resolution Tools

UAE – November 2025

The UAE has issued Federal Decree-Law No. (20) of 2025 (the "Amendment Law), which introduces several material changes to Federal Decree-Law No. (32) of 2021 on Commercial Companies (CCL). These amendments reflect an ongoing policy direction aimed at clarifying the CCL scope of application, enhancing corporate flexibility, improving governance and aligning the onshore framework more closely with international practice.

This update summarises the key amendments of practical relevance to companies governed by the CCL.

Key Amendments

1. Introduction of Non-profit Companies[1]

For the first time, the CCL expressly permits the incorporation of non-profit companies, whose revenues must be applied exclusively toward their stated objectives without distribution to partners or shareholders. This development enables a formal corporate vehicle for social, philanthropic and community-based initiatives, filling a long-standing gap in the UAE corporate landscape. The purposes, regulatory framework and any exemptions applicable to such companies will be further detailed in a Cabinet decision issued in coordination with the competent authorities.

2. Drag-along and Tag-along Rights, and Shareholder Demise Mechanisms[2]

The Amendment Law introduces a substantive revision to Article 14(4), expressly enabling limited liability (LLC) and private joint stock companies to incorporate drag-along and tag-along mechanisms within their memorandum of association or articles of association, which are otherwise normally agreed in private and complementing shareholders' agreements. It specifically authorises the inclusion of (i) provisions requiring shareholders to sell their shares to a third party upon the satisfaction of predetermined conditions; and (ii) provisions granting shareholders the right to participate in an existing sale on identical terms.

This marks the first statutory recognition of these rights notably though through their inclusion in the constitutional documents of such UAE private companies and provides a stronger legal basis for exit procedures that have historically been implemented solely through private shareholders' agreements. They also provide a good balance between majority rights and minority protection rights. Although these mechanisms are now capable of being embedded directly in the articles or memorandum of association, their commercial sophistication, valuation structures and procedural detail will likely continue to necessitate the use of complementing shareholders' agreements, particularly where confidentiality and other detailed transaction-specific commercial terms, such as put and call options, are required.

The amendment also introduces an entirely new framework to govern the treatment of shares upon the death of a shareholder in such companies. Article 14(4) now allows limited liability and private joint stock companies to specify, within their constitutional documents, a mechanism for the transfer of the deceased shareholder's shares, including granting priority purchase rights to the remaining shareholders or, notably, to the company itself. The law provides that the price should be agreed with the heirs, failing which the competent court will determine valuation through one or more independent experts.

The inclusion of the company as a potential purchaser of a deceased shareholder's shares is particularly noteworthy, as current UAE company law does not provide a general framework for LLCs to acquire their own shares outside the context of capital reduction. The Amendment Law does not clarify whether such repurchased shares are to be cancelled, held in treasury or redistributed to other shareholders, nor does it specify whether the purchase triggers any other considerations. It therefore remains uncertain whether this is intended to function as a narrow exception confined to shareholder death-related transfers or whether it signals a broader legislative willingness to permit LLC company share buybacks in other scenarios in future regulatory developments.

Overall, while Article 14(4) introduces valuable statutory flexibility and tools for managing exits, transfers and succession – especially for privately and family held businesses – the amendments will likely be viewed as complementary to, rather than replacements for, detailed private shareholders' agreements.

1 Article 8(3)(b) of the CCL as amended by the Amendment Law.

2 Article 14(4) of the CCL as amended by the Amendment Law.

3. Private Placements by Private Joint Stock Companies[3]

The Amendment Law introduces a meaningful development in the fundraising framework applicable to private joint stock companies by expressly permitting these companies to offer and conduct private placements of their securities within the UAE's financial markets (dis-applying the statutory lock-in period in these cases), subject to conditions and procedures to be determined by the Securities and Commodities Authority (SCA). Historically, the regime for private placements by private joint stock companies in the UAE was underdeveloped and lacked detailed implementing rules, often leading sponsors and investors to explore offshore or parallel holding structures for intermediate capital-raisings.

4. Recognition of Multiple Share Classes[4]

The amended Article 76(4) pursuant to the Amendment Law provides explicit confirmation that LLCs may issue different classes of shares varying in value, voting rights, dividend entitlements, redeemability, liquidation preferences or other shareholder rights. This amendment is equally beneficial for companies held by families, venture capital and private equity investors, where preferred shares, convertible instruments and bespoke rights are essential to reflect investor protections and governance arrangements. The ability to create distinct share classes within the statutory framework strengthens the UAE's positioning as a competitive jurisdiction for the development of more sophisticated capital-raising and ownership arrangements. The detailed conditions governing the issuance and rights of each class will be further shaped by Cabinet decisions, which will play a critical role in determining the practical scope of this flexibility.

5. Appointment of Non-shareholder Directors in a Deadlock Scenario[5]

The Amendment Law introduces an important development in Article 85(4) by expressly permitting the appointment of directors who are not shareholders in the event of a deadlock over the appointment of a new board of directors for an LLC. Under the prior provision, where the term of the board of directors expired and no new board is appointed, the incumbent board would continue for up to six months. After this period, the competent authority, acting in coordination with the relevant licensing body, was empowered to appoint a replacement director or board; however, those appointments were typically limited to individuals drawn from among the existing shareholders. This created significant practical difficulties in situations where the shareholders were already deadlocked, as the authorities' intervention could not introduce independent or neutral directors capable of restoring functionality.

In effect, companies could remain without an operational board even after regulatory intervention, prolonging deadlock and impairing the company's ability to meet essential legal and commercial obligations. The Amendment Law addresses this limitation and enables efficient intervention by the competent authority in this specific deadlock scenario.

6. Enhanced Framework for Company Migration and Continuation[6]

The Amendment Law introduces a statutory framework governing the migration (continuation) of companies between jurisdictions within the UAE, which includes (i) migration between Emirates; and (ii) migration from the mainland to free zones and *vice versa*, including financial free zones. This continuity of legal capacity is expressly preserved and extends to all rights, obligations, assets and liabilities.

Under Article 15 (repeated), a company may, by special resolution or with the approval of an absolute majority of its shareholders, transfer its commercial registration from one Emirate competent authority to another, or between an Emirate competent authority and a free-zone and *vice versa*, while retaining its legal personality without interruption. The migration is subject to a set of regulatory conditions, including the compatibility of the registries between the transferring and receiving authorities (i.e. both permitting such continuation), the absence of prohibitive annotations preventing such migration, obtaining the relevant regulatory approvals of both authorities, as well as the Ministry of Economy or SCA for joint stock companies, and subject to compliance with the disclosure obligations prescribed by the competent authorities. Companies migrating to or out of financial free zones must additionally adhere to further rules to be issued by a Cabinet decision, enabling a coordinated migration regulatory framework.

This is a highly positive development. The Amendment Law introduces, for the first time, a unified statutory mechanism permitting seamless continuation without liquidation or reincorporation, thereby:

- Reducing transaction costs and procedural complexity
- Enabling regulatory optimisation (e.g. moving into an applicable free zone for governance or financing advantages, or into the mainland for operational requirements)
- Preserving corporate identity, licences, assets, contracts and banking arrangements
- Supporting groupwide restructuring and consolidation exercises

3 Articles 32(2) and 93 of the CCL as amended by the Amendment Law.

4 Articles 76 (4) of the CCL as amended by the Amendment Law.

5 Articles 85(4) of the CCL as amended by the Amendment Law.

6 Articles 15 (repeated) of the CCL as introduced by the Amendment Law.

7. Easements for Conversion to a Public Joint Stock Company[7]

The Amendment Law simplifies the conversion of companies into joint stock companies by removing several procedural steps that previously delayed the process. Companies converting into a joint stock company are no longer required to submit a new incorporation application or form a founders' committee, and their existing management may carry out the necessary conversion procedures. The amended article also allows the company to complete its conversion and registration without first appointing a new board, auditor or share registrar, provided that a general assembly is convened within 30 days to formalise these appointments.

Conclusion

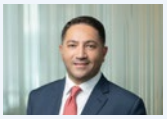
The amendments to the CCL represent a substantive and deliberate modernisation of the onshore corporate framework. Collectively, the reforms enhance the flexibility, predictability and sophistication of corporate governance and capital-raising in the UAE, while resolving several long-standing practical challenges that companies and investors have routinely faced. The statutory recognition of mechanisms such as drag-along and tag-along rights, multiclass share structures, private placements and the appointment of non-shareholder directors marks a meaningful alignment with international standards and reinforces the UAE's strategy of positioning itself as a leading corporate and investment hub in the region.

At the same time, certain amendments will require further clarification through implementing regulations. Companies should, therefore, assess the potential impact of these reforms on their existing constitutional documents, shareholder arrangements, governance structures and funding strategies, and consider whether amendments or updated shareholders' agreements may be necessary to fully leverage the new statutory tools.

As regulatory guidance continues to develop, we will remain closely engaged with the evolving framework and are available to advise on the practical implications of these amendments for your business.

7 Articles 275 of the CCL as introduced by the Amendment Law.

Contacts



Omar Momany
Partner, Dubai, UAE
T +971 4 447 8761
omar.momany@squirepb.com



Leila Drissi
Of Counsel, Dubai, UAE
T +971 4 447 8727
leila.drissi@squirepb.com



Thamer Shomar
Associate, Dubai, UAE
T +971 4 447 8751
thamer.shomar@squirepb.com

The opinions expressed in this update are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

squirepattonboggs.com

© Squire Patton Boggs. All Rights Reserved 2025

69860/11/25