

# GUIDANCE NOTE – INCREASE AND DECREASE OF SHARE CAPITAL

In this Guidance Note, unless the context otherwise requires, words or expressions not defined have the same meaning and interpretation as in the Company Regulations 2020 of the Dubai Multi Commodities Centre Authority (“**CR 2020**”).

## I. GENERAL

### A. Share Capital

- ❖ Under the CR 2020, the Registrar may, from time to time, specify a minimum amount of Share Capital of a Company.
- ❖ Depending on the nature of the activity for the Licence, a minimum amount may be required for a Company’s Share Capital if the Registrar determines or if the Company’s business or commercial activity falls under the List of Approved Activities with specific minimum share capital requirement (as may be amended from time to time).
- ❖ A share must be paid up in full by a Shareholder when allotted.
- ❖ The Share Capital of a Company must be divided into non-divisible shares, denominated in UAE Dirhams, which may be paid for in cash or in kind (non-cash consideration).

### B. Classes or Types of Shares

A Company may create different classes of shares, provided that the rights of each types or class of shares are stipulated in the Articles.

Companies will be able to issue one or more of the following five types or classes of shares:

- **Ordinary shares**

- The most commonly used share type and do not carry any special rights or obligations. Each holder has voting rights (typically one vote per share) and dividend rights.

- **Preference shares:**

- Generally carry a right that gives the preference Shareholder preferential treatment in respect of dividends.
- Shareholders who hold preference shares usually receive a fixed dividend ahead of ordinary Shareholders.

- Preference shares may be cumulative. This means that if no dividend is paid in one year, the dividend entitlement will carry forward to successive years.
- Holders of preference shares usually have voting rights (typically one vote per share) and may be entitled to preferential payment on a winding-up of the Company.
- **Non-voting shares**
  - Similar to ordinary shares, except that they carry no voting rights.
- **Bonus shares**
  - Are offer of free additional shares to **existing** shareholders. A Company may decide to distribute further shares as an alternative to paying a dividend.
  - This type of share is not applicable for new Companies yet to be registered with DMCC.
- **Treasury shares**
  - are shares in a Company, which are purchased by that Company.

**It is a must that 80% of the total number of shares should be Ordinary while the remaining 20% can be any other type or class of shares.**

## **C. The Rights and Obligations of Shares**

The Company itself can determine the rights and obligations of each share type or class, as long as they do not breach the DMCCA Company Regulations 2020 or any other DMCC FZ Rules or policies or the UAE laws. These rights and obligations must be set out in the Company's Articles of Association.

## **D. Mode of Payment of Issued Shares**

Issued shares can be paid either by:

- Cash Injection, or
- Non-cash consideration or "in kind" payment

## **E. Types of Alteration of Share Capital**

- Increase of Share Capital by creating new shares.
- Consolidate all or any of its issued shares into shares of a larger amount than its existing shares; and

- Sub-divide all or any of its shares into shares of smaller amount than its existing shares.

## F. Reduction of Share Capital

A Company may reduce Share Capital by:

- Extinguishing or reducing liability on any of its shares; or
- Cancelling any paid up Share Capital that is lost or is unrepresented by available assets;
- Reducing the number of such shares; or
- Paying off any paid up Share Capital that is in excess of the requirements of the Company; or
- Reducing its share premium account or other reserves.

## II. Applicable Business Rules

1. This process is only applicable to Companies, and is not applicable for Branches.
2. A Company's licence must be valid at the time of submission of the application and until process is completed. The application will be put on hold if the licence expires during the process.

A Company, who has voluntarily suspended its licence (in dormancy), is not allowed to apply for an alteration or reduction of its Share Capital.

Any transfer of shares, not being a transfer made to or with the Sanction of the liquidator and **any alteration in the status of the Company's Shareholders** made after the commencement of a voluntary winding-up, is void.

3. There should not be any active Company sanction. Please see Schedule 1 for list of Sanctions.
4. The new shares to be issued can be of different types.
5. In case of Increase in Share Capital, the Company can choose mode of payment as either cash or In-Kind (non-cash considerations) in each share type.
6. Each Shareholder can hold different types or classes of shares. However, Company should comply with the Rule on 80/20, 80% of the total Share Capital must be Ordinary shares while 20% can be any other type of shares.
7. Each Shareholder can hold different types of shares and may choose different mode of payment for each share type.
8. In case the current shares of the Company are Ordinary shares and Company currently has a Standard Articles of Association and the new shares to be issued are other than Ordinary shares, the Company should choose to adopt a non-Standard Articles of Associations, as it needs to define the rights of these types of shares.

9. In case of decrease in Share Capital, publication is mandatory to be done for fourteen (14) calendar days.

### III. Application Process

#### For Increase in Share Capital

To apply for this new service, a service request (**SR 102**) for Increase (with no new Shareholder) of Share Capital will have to be raised by the Company through its portal account.

Process Owner	Action	Comments
Company	<p>A Company shall provide the following in the online portal:</p> <ul style="list-style-type: none"> <li>• Supply the required information in the SR.</li> <li>• Provide the date of the Resolution.</li> <li>• Select the type and number of new shares to be issued.</li> <li>• Select the mode of payment (cash or “in kind”)               <ul style="list-style-type: none"> <li>- In case of cash payment, client to supply the bank name.</li> </ul> </li> <li>• Upload the required documents (Please see table below for list of requirements).</li> <li>• Confirm the relevant fee.</li> </ul>	<ul style="list-style-type: none"> <li>• Submit the SR.</li> <li>• The client will receive a notification submission.</li> </ul>
DMCC Officers	<p>Relevant DMCC Officers will verify the application by doing the following:</p> <ul style="list-style-type: none"> <li>• Check information provided by the client and verify all the uploaded documents.</li> </ul>	<ul style="list-style-type: none"> <li>• SR may be returned to the client to submit additional information or re-upload a document. In such cases, the client has to comply with the requirements to continue with the process.</li> </ul> <p>When additional requirements or information is provided, the client</p>

Process Owner	Action	Comments
		<p>has to update the step in the SR.</p> <ul style="list-style-type: none"> <li>In case requirements are satisfied, the application will be forwarded to the Registrar for approval.</li> </ul>
DMCC Registrar	<p>Registrar will do the following:</p> <ul style="list-style-type: none"> <li>Approves or Declines the application.</li> </ul>	<ul style="list-style-type: none"> <li>SR may be returned to the client to submit additional information or re-upload a document. In such cases, the client has to comply with the requirements to continue with the process.</li> </ul> <p>When additional requirements or information is provided, the client has to update the step in the SR.</p> <p><b>If Application is declined:</b></p> <ul style="list-style-type: none"> <li>In case application is declined, Knowledge and Innovation fee (AED20/-) will be non-refundable. Rest of the fees to be returned to the portal account of the Company.</li> <li>SR will be closed at this stage.</li> </ul> <p><b>If Approved</b></p> <ul style="list-style-type: none"> <li>Client will receive pre-approval notification</li> </ul>

Process Owner	Action	Comments
		and shall approach Client Service Centre to submit the original documents.
DMCC Member Services Officer (MSO) - Client Service Centre	MSO to do the following: <ul style="list-style-type: none"> <li>• Verify original documents.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>If requirements are satisfied:</b> <ul style="list-style-type: none"> <li>- Accept all required documents.</li> <li>- Allow the relevant parties to sign the Resolutions (if client intends to have the Resolution signed in DMCC)</li> </ul> </li> </ul>
DMCC Officers	The relevant DMCC officer to: <ul style="list-style-type: none"> <li>• Update the account of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>➤ New Share Certificates will be generated.</li> <li>➤ Bank Release Letter will be generated, only in case of cash injection.</li> <li>➤ Notification of SR closure will be sent to the client together with Bank Release Letter (only in case of cash injection).</li> </ul>

### For Decrease in Share Capital

To apply for this new service, a service request (**SR 102**) for Decrease of Share Capital will have to be raised by the Company through its portal account.

Process Owner	Action	Comments
Company	<p>A Company shall provide the following in the online portal:</p> <ul style="list-style-type: none"> <li>• Supply the required information in the SR.</li> <li>• Provide the date of the Resolution.</li> <li>• Select the type and number of new shares to be issued.</li> <li>• Select the mode of payment (cash or “in kind”)               <ul style="list-style-type: none"> <li>- In case of cash payment, client to supply the bank name.</li> </ul> </li> <li>• Upload the required documents (Please see table below for list of requirements).</li> <li>• Confirm the relevant fee.</li> </ul>	<ul style="list-style-type: none"> <li>• Submit the SR.</li> <li>• The client will receive a notification submission.</li> </ul>
DMCC Officers	<p>Relevant DMCC Officers will verify the application by doing the following:</p> <ul style="list-style-type: none"> <li>• Check information provided by the client and verify all the uploaded documents.</li> </ul>	<ul style="list-style-type: none"> <li>• SR may be returned to the client to submit additional information or re-upload a document. In such cases, the client has to comply with the requirements to continue with the process.</li> </ul> <p>When additional requirements or information is provided, the client has to update the step in the SR.</p> <ul style="list-style-type: none"> <li>• In case requirements are satisfied, the application will be forwarded to the</li> </ul>

Process Owner	Action	Comments
		Registrar for approval.
DMCC Registrar	Registrar will do the following: <ul style="list-style-type: none"> <li>Approves or Declines the application.</li> </ul>	<ul style="list-style-type: none"> <li>SR may be returned to the client to submit additional information or re-upload a document. In such cases, the client has to comply with the requirements to continue with the process.</li> </ul> <p>When additional requirements or information is provided, the client has to update the step in the SR.</p> <p><b>If Application is declined:</b></p> <ul style="list-style-type: none"> <li>In case application is declined, Knowledge and Innovation fee (AED20/-) will be non-refundable. Rest of the fees to be returned to the portal account of the Company.</li> <li>SR will be closed at this stage.</li> </ul> <p><b>If Approved</b></p> <ul style="list-style-type: none"> <li>Client will receive pre-approval notification and shall approach Client Service Centre to submit the original documents.</li> </ul>



Process Owner	Action	Comments
System	Publication	<ul style="list-style-type: none"> <li>• Shall continue for fourteen (14) calendar days.</li> <li>• Client will receive a notification for submission of the original documents at the end of the publication period.</li> </ul>
DMCC Member Services Officer (MSO) - Client Service Centre	MSO to do the following: <ul style="list-style-type: none"> <li>• Verify original documents.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>If requirements are satisfied:</b> <ul style="list-style-type: none"> <li>- Accept all required documents.</li> <li>- Allow the relevant parties to sign the Resolutions (if client intends to have the Resolution signed in DMCC)</li> </ul> </li> </ul>
DMCC Officers	The relevant DMCC officer to: <ul style="list-style-type: none"> <li>• Update the account of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>➤ New Share Certificates will be generated.</li> <li>➤ Amended AOA to be issued.</li> <li>➤ Notification of SR closure will be sent to the client together with Bank Release Letter (only in case of cash injection).</li> </ul>

#### IV. Required Documents

##### For Increase in Share Capital

Documents	Remarks
<b>Board Resolution</b> of corporate Shareholder	<ul style="list-style-type: none"> <li>• Only applicable if one of the existing Shareholders of the DMCC Company is a corporate Shareholder. <b><i>Please disregard this requirement if this is not the case. .</i></b></li> <li>• The Board Resolution will be drafted to approve the increase of Share Capital of the Company.</li> <li>• To confirm the appointed representative and signatory for the process and sign documents relevant to the increase in Share Capital such as resolution, Articles, amendments, etc.</li> <li>• To be signed in DMCC by authorized signatory or notarized and legalized by UAE Embassy of the place of execution of the document.</li> </ul>
<b>Certificate of Incumbency</b> (of the corporate Shareholder)	<ul style="list-style-type: none"> <li>• Only applicable if the Company has a corporate Shareholder. <b><i>Please disregard this requirement if this is not the case.</i></b> Certificate of Incumbency must be recently issued (not more than 1 year). Certificate of Incumbency must be notarized and legalized by UAE Embassy of the place of issue.</li> </ul>
<b>Shareholder's Resolution (this will also be the Joint Resolution in case of JV Companies)</b>	<ul style="list-style-type: none"> <li>• Printed on the DMCC Company Letterhead and stamped.</li> <li>• To be signed in DMCC by all Shareholders or their authorized representatives or notarized and legalized by UAE Embassy of the place of issue of the document.</li> </ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• If applicable. <b><i>Please disregard this requirement if there is no POA issued.</i></b></li> <li>• If issued in UAE, validity to be checked in the Dubai Court portal.</li> <li>• Notarized and legalized by UAE Embassy/Consulate of the place of issue (if issued outside of UAE).</li> <li>• Original POA required to be presented for verification.</li> <li>• To specifically provide authority to increase the Share Capital of the principal.</li> </ul>

<b>Passport of the POA holder</b>	<ul style="list-style-type: none"> <li>• If applicable. <b><i>Please disregard this requirement if there is no POA issued.</i></b></li> <li>• Original passport or valid Emirates ID (as mentioned in the POA) required to be presented. Copy to be provided.</li> </ul>
<b>Memorandum and Articles of Association</b> (for all existing DMCC Companies registered before CR 2020) or <b>Articles of Association</b> (for Companies registered under Company Regulations 2020)	<ul style="list-style-type: none"> <li>• All originals are required to be submitted to DMCC.</li> </ul>
<b>Share Certificates</b>	<ul style="list-style-type: none"> <li>• Applicable only when original share certificates were issued to the Shareholders. <b><i>Please disregard this requirement if e-share certificates were issued.</i></b></li> <li>• Only the original share certificate of the Shareholders whose shares will be changed is required to be submitted.</li> <li>• The share certificate will be cancelled after the share transfer is completed.</li> </ul>

#### Additional Document for Cash Injection

Document Name	Remarks
Bank Confirmation Letter	Confirming deposit of the increased amount

#### Additional Document for Non-Cash Consideration or Payment “In kind”

Document	Remarks
Auditor’s confirmation	<ul style="list-style-type: none"> <li>• Valuation of the non-cash consideration by a DMCC approved Auditor.</li> <li>• Confirming the conversion of the value of the non-cash consideration into the equivalent proposed increase in Share Capital of the DMCC Company.</li> </ul>

<p><b>Director's confirmation</b></p> <ul style="list-style-type: none"> <li>- Directors confirmation on valuation</li> </ul>	<ul style="list-style-type: none"> <li>• Determine the reasonable cash value of the consideration for the shares.</li> <li>• Confirm that the consideration for the shares is fair and reasonable to the Company and to all existing Shareholders, and</li> <li>• Confirm that the present cash value of the consideration to be provided for the shares is not less than the value to be credited for the issue of the shares.</li> </ul>
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**For Decrease in Share Capital**

Documents	Remarks
<p><b>Board Resolution</b> of corporate Shareholder</p>	<ul style="list-style-type: none"> <li>• Only applicable if one of the existing Shareholders of the DMCC Company is a corporate Shareholder. <b>Please disregard this requirement if this is not the case.</b></li> <li>• The Board Resolution will be drafted to approve the decrease of Share Capital of the Company.</li> <li>• To confirm the appointed representative and signatory for the process and sign documents relevant to the decrease in Share Capital such as Resolution, Articles, amendments, etc.</li> <li>• To be signed in DMCC by authorized signatory or notarized and legalized by UAE Embassy of the place of issue of the document.</li> </ul>
<p><b>Certificate of Incumbency</b> (of the corporate Shareholder)</p>	<ul style="list-style-type: none"> <li>• Only applicable if the Company has a corporate Shareholder. <b>Please disregard this requirement if this is not the case.</b></li> <li>• Certificate of Incumbency must be recently issued (not more than 1 year). Certificate of Incumbency must be notarized and legalized by UAE Embassy of the place of issue.</li> </ul>
<p><b>Shareholder's Resolution (this will also be the Joint Resolution in case of Joint Venture Companies)</b></p>	<ul style="list-style-type: none"> <li>• Printed on the Company Letterhead and stamped.</li> <li>• To be signed in DMCC by all Shareholders or their authorized representatives or notarized and legalized by UAE Embassy/Consulate of the place of issue of the document.</li> </ul>

<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• If applicable. <b><i>Please disregard this requirement if there is no POA issued.</i></b></li> <li>• If issued in UAE, validity to be checked in the Dubai Court portal.</li> <li>• Notarized and legalized by UAE Embassy/Consulate of the place of issue (if issued outside of UAE).</li> <li>• Original POA required to be presented for verification.</li> <li>• To specifically provide authority to decrease the Share Capital of the principal.</li> </ul>
<b>Passport of the POA holder</b>	<ul style="list-style-type: none"> <li>• If applicable. <b><i>Please disregard this requirement if there is no POA issued.</i></b></li> <li>• Original passport or valid Emirates ID (as mentioned in the POA) required to be presented. Copy to be provided.</li> </ul>
<b>Memorandum and Articles of Association</b> (for all existing DMCC Companies registered before CR 2020) or <b>Articles of Association</b> (for Companies registered under Company Regulations 2020)	<ul style="list-style-type: none"> <li>• All originals are required to be submitted to DMCC.</li> </ul>
<b>Share Certificates</b>	<ul style="list-style-type: none"> <li>• Applicable only when original share certificates were issued to the Shareholders. <b><i>Please disregard this requirement if e-share certificates were issued.</i></b></li> <li>• Only the original share certificate of the Shareholders whose shares will be changed is required to be submitted.</li> </ul>
<b>Solvency Letter</b>	<ul style="list-style-type: none"> <li>• Signed by at least one Director of the Company declaring that on the date the Resolution was passed             <ul style="list-style-type: none"> <li>➤ That the Company is solvent, and</li> <li>➤ All the Creditors of the Company have consented to the reduction.</li> </ul> </li> </ul>
<b>Auditor's Confirmation</b>	<ul style="list-style-type: none"> <li>• Confirming the solvent state of the Company.</li> </ul>

**Additional Documents in case Company will choose to adopt a Non-Standard Articles in the process of increasing its Share Capital (Applicable for both Increase and Decrease of Share Capital)**

<p><b>Non-standard Articles of Association</b></p>	<ul style="list-style-type: none"> <li>• Original is required. Company to prepare one original for each Shareholder plus one original for DMCC</li> <li>• The Shareholders or their authorized representatives will sign the non-standard Articles of Association of the Company in DMCC or in case signing in DMCC is not possible, the Articles has to be notarized.</li> </ul>
<p><b>Legal opinion</b></p>	<ul style="list-style-type: none"> <li>• Issued by a UAE based Law Firm Licenced by a competent authority in UAE.</li> <li>• To contain the below confirmation:             <ul style="list-style-type: none"> <li>➤ That the proposed Articles does not contain a provision, which is contrary to or inconsistent with the CR 2020.</li> </ul> </li> </ul>

**V. Document Output**

The following documents will be issued when the process is completed:

- Original amended AOA (one original for each of the Shareholder and one original to be left in the records of DMCC)
- For existing companies with MOA/AOA, either of the following will be issued:
  - Standard AOA to transition to new regime under the CR2020.
  - Company may choose to adopt new non-Standard MOA. (Please see Guidance and Practice Notes on DMCC Company Articles).
- E-Share Certificate for each Shareholder whose shares has been changed due to this process of alteration or reduction of Share Capital.
- Bank Release Letter (only in case of increase in Share Capital by cash injection)

## **VI. Applicable Fees**

Please see Schedule of Charges by clicking [here](#).

## **VII. Cancellation of Application**

Cancellation of an application will be subject to the existing policy and procedure of SR cancellation.