

## **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 2024 (CR 2024) of the Dubai Multi Commodities Centre Authority.

### **1. GENERAL**

#### **A. Share Capital**

- ❖ Under the CR 2024, 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 or such other currency approved by the Registrar, 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 type 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 used share type and does 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 offered as additional shares to the **existing** shareholders. A Company may decide to distribute further shares as an alternative to paying a dividend.
  - A Company may make bonus issue of shares to its shareholders, provided that such shares are paid up out of retained earnings or the share premium account.
  - 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 Redeemable shares.
  - Are shares in a Company that can be redeemed for cash or other consideration wither in accordance with the terms or at the option of the Company or the shareholder.
  - A company may only redeem shares if they are fully paid and from the following sources:
    - a. in the case of the nominal value of the shares to be purchased, from paid up share capital, share premium and other reserves of the Company; and
    - b. in the case of any premium on the shares to be purchased from realized or unrealized profits, share premium or other reserves of the Company.
  - Once redeemed, shares are treated as cancelled and the amount of the company's share capital is reduced accordingly by the nominal value of the shares redeemed.
  - If a Company cancels shares following their redemption, it must give notice of the cancellation to the Registrar, within a period of twenty (20) Business Days from the date on which shares are cancelled.

## 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 2024 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 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 a smaller amount than its existing shares.

## F. Reduction of Share Capital

A Company may reduce Share Capital in any way, particular by:

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

## 2. Applicable Business Rules

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

A Company, that 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.

- ❖ There should not be any active Company Sanction. Please see Schedule 1 for a list of Sanctions.
- ❖ The new shares to be issued can be of different types.
- ❖ In case of an Increase in Share Capital, the Company can choose the mode of payment as either cash or In-Kind (non-cash considerations) in each share type.
- ❖ Each Shareholder can hold different types or classes of shares and may choose a different mode of payment for each share type.
- ❖ 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 Association, as it needs to define the rights of these types of shares.

- ❖ In case of a reduction of Share Capital, the publication is mandatory to be done for fourteen (14) calendar days - starting from the date that is between fifteen (15) and thirty (30) Business Days before the date from which the Share Capital reduction is to have effect.
- ❖ The company needs to make sure they have:
  - [Adopted the Articles of Association](#) as per DMCC Rules & Regulations of 2024 (only applicable if companies hold old MOA).
  - [Subscribed and activated the e-signature](#) of all authorized signatories.
- ❖ Updating passport details for all Shareholders & Officers before proceeding with the application.

### 3. Application Process

#### For Increase in Share Capital

To apply for this service, a service request (**SR 102**) for an 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	<ol style="list-style-type: none"> <li>Log in to the <a href="#">DMCC Member Portal</a>.</li> <li>Go to “Company Services” – select “Increase or Decrease Share Capital”.</li> <li>Client to confirm passport details and active E-signature details for all the Shareholders &amp; Officers are up to date.</li> <li>Select the type of request:               <ul style="list-style-type: none"> <li>○ Increase in share capital</li> </ul> </li> <li>Select the mode of payment (only applicable if selected increase of share capital):               <ul style="list-style-type: none"> <li>○ Cash (if selected, provide bank details)</li> <li>○ In kind</li> </ul> </li> <li>Select Power of Attorney (POA) (if applicable)</li> <li>Fill in the remaining mandatory fields</li> <li>Upload the required documents (Please “required documents” section in this document).</li> <li>Confirm payment.</li> <li>Submit the service request</li> </ol>	<p>Submit the SR.</p> <ul style="list-style-type: none"> <li>A notification of the submission will be received by the client.</li> <li>If Yes, client needs to continue by clicking “Confirm”</li> <li>If No, then client needs to update the details through clicking “Manage KYC” for officer or “Change of details” for Shareholders.</li> </ul>

DMCC	1. Verify submitted information and documents, as a result, approve or return the application.	<p>Please note that the SR could be returned to you in case of the below scenarios:</p> <ul style="list-style-type: none"> <li>a. To submit additional information or to re-upload a document.</li> <li>b. E-Signature is not activated for the authorized e-signatories or the POA holder (if applicable).</li> </ul> <p>To proceed with the SR, you should comply with the requirements by following the instructions you receive from DMCC.</p> <p><b>If Approved</b></p> <p>The client will receive a pre-approval notification and will be requested to proceed to the next steps.</p>
Company	<ul style="list-style-type: none"> <li>1. All authorized signatories E-Sign the document.</li> <li>2. Book an appointment through the DMCC Member Portal for submitting original sets of documents (if applicable).</li> </ul>	
DMCC	<ul style="list-style-type: none"> <li>1. Verify e-signatures and original documents</li> <li>2. Update the step and the account will be updated with the new details.</li> <li>3. New documents will be generated electronically in DMCC Member Portal</li> </ul>	
Company	1. Download/ view the e-documents from the email notification or from the DMCC Member Portal.	

### 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	<ol style="list-style-type: none"> <li>1. Log in to the <a href="#">DMCC Member Portal</a>.</li> <li>2. Go to “Company Services” – select “Increase or Decrease Share Capital”.</li> <li>3. Client to confirm active E-signature details.</li> <li>4. Select the type of request: <ul style="list-style-type: none"> <li>○ Decrease in share capital</li> </ul> </li> <li>5. Select the mode of payment (only applicable if selected increase of share capital): <ul style="list-style-type: none"> <li>○ Cash (if selected, provide bank details)</li> <li>○ In kind</li> </ul> </li> <li>6. Select Power of Attorney (POA) (if applicable)</li> <li>7. Fill in the remaining mandatory fields</li> <li>8. Upload the required documents (Please “required documents” section in this document).</li> <li>9. Confirm payment.</li> <li>10. Submit the service request.</li> </ol>	

DMCC	<ol style="list-style-type: none"> <li>1. Verify submitted information and documents, as a result, approve or return the application.</li> </ol>	<p>Please note that the SR could be returned to you in case of the below scenarios:</p> <ol style="list-style-type: none"> <li>a. To submit additional information or to re-upload a document.</li> <li>b. E-Signature is not activated for the authorized e-signatories or the POA holder (if applicable).</li> </ol> <p>To proceed with the SR, you should comply with the requirements by following the instructions you receive from DMCC.</p> <p><b>If the Application declined</b></p> <p>SR is returned to the portal account of the Company. SR will be closed at this stage.</p> <p><b>If Approved</b></p> <p>The client will receive a pre-approval notification and will be requested to proceed to the next steps.</p>
Company	<ol style="list-style-type: none"> <li>1. All authorized signatories E-Sign the document.</li> <li>2. Book an appointment through the DMCC Member Portal for submitting original sets of documents (if applicable).</li> </ol>	
DMCC	<ol style="list-style-type: none"> <li>1. Publication of your company updates is announced and posted on the DMCC website for fourteen(14) calendar days.</li> <li>2. After the publication period, the company account will be updated, and electronic documents will be issued.</li> </ol>	

DMCC	<ol style="list-style-type: none"> <li>1. Verify e-signatures and original documents.</li> <li>2. Update the step and the account will be updated with the new details. New documents will be generated electronically in DMCC Member Portal</li> </ol>	
Company	<ol style="list-style-type: none"> <li>1. Download/ view the e-documents from the email notification or from the DMCC Member Portal.</li> </ol>	

#### 4. 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>Please disregard this requirement if this is not the case.</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 electronically signed by authorized signatory after the application is approved by DMCCA.</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>Please disregard this requirement if this is not the case.</b> Certificate of Incumbency must be recently issued (not more than 1 year). Certificate of Incumbency must be notarized and legalized by the UAE Embassy of the place of issue.</li> </ul>
<b>Shareholder's Resolution</b> (this will also be the Joint Resolution in case of JV Companies)	<ul style="list-style-type: none"> <li>• To be electronically signed by all current and new Shareholders or their authorized representatives (POA holders) after the application is approved by DMCCA.</li> </ul>



<p><b>Power of Attorney</b></p>	<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 is to be checked in the Dubai Court portal.</li> <li>• Notarized and legalized by the UAE Embassy/ Consulate of the place of issue (if issued outside of UAE).</li> <li>• If POA is issued outside UAE Original POA is required to be presented for verification.</li> <li>• To specifically provide authority to increase the Share Capital of the principal.</li> <li>• Original passport or valid Emirates ID (as mentioned in the POA document) of the POA holder to be presented for verification.</li> </ul>
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<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>The originals MOA/AOA for each shareholder is 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>Please disregard this requirement if e-share certificates were issued.</b></li> <li>The share certificate of all shareholders is required to be submitted.</li> </ul>

#### Additional Document for Cash Injection

Document Name	Remarks
Bank Confirmation Letter	Confirming the 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>

<b>Director's confirmation</b>  - Director's confirmation on valuation	<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
<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>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 electronically signed by authorized signatory after the application is approved by DMCCA.</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>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 the UAE Embassy of the place of issue.</li> </ul>
<b>Shareholder's Resolution</b> (this will also be the Joint Resolution in case of Joint Venture Companies)	<ul style="list-style-type: none"> <li>• To be electronically signed by all current and new Shareholders or their authorized representatives (POA holders) after the application is approved by DMCCA.</li> </ul>

<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• If applicable. <b>Please disregard this requirement if there is no POA issued.</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>• If issued outside UAE original POA required to be presented for verification.</li> <li>• To specifically provide authority to decrease the Share Capital of the principal.</li> <li>• Original passport or valid Emirates ID (as mentioned in the POA document) of the POA holder to be presented for verification.</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>• The originals MOA/ AOA for each shareholder is 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>Please disregard this requirement if e-share certificates were issued.</b></li> <li>• The share certificate of all shareholders 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)**

<b>Non-standard Articles of Association</b>	<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 to electronically sign the non-standard Articles of Association of the Company.</li> </ul>
<b>Legal opinion</b>	<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 do not contain a provision, which is contrary to or inconsistent with the CR 2024.</li> </ul> </li> </ul>

## 5. Output

The following documents will be generated by the system once the application is approved and closed:

- Electronic AOA with QR as per the latest amendment.
- E-Share Certificate with QR code for each new Shareholder and the current Shareholder.
- Bank Release Letter (only in case of an increase in Share Capital by cash injection).

## 6. Applicable Fees

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

## 7. Cancellation of Application

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

## **Schedule 1**

### **Company Sanctions could be one or all of the following:**

- Restriction or suspension of services.
- A fine or penalty, as specified by DMCCA from time to time in accordance with CR 166 (Administrative imposition of fines or penalties);
- Suspension of a Licence in accordance with the process set out in CR 167 (Power of DMCCA to suspend a Licence);
- Termination of a Licence in accordance with the process set out in CR 168 (Power of DMCCA to terminate a Licence);
- A Company or Branch being Struck-off, in accordance with the process set out in Regulation 169 (Power of DMCCA to Strike-Off);
- Such other sanction as DMCCA may deem appropriate from time to time; and/or Sanction imposed by an order of the Dubai Court.