

Department of Planning & Development – TRAKHEES

Executive Regulations of the Free Zone Companies in the Special Development Zones for 2018

According to Decree No. 22 of 2009 Concerning Special Development Zones in the Emirate of Dubai

Executive Regulations of the Free Zone Companies in the Special Development Zones for 2018

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Chapter I – General:

1- Title

These Regulations shall be titled the Executive Regulations of Free Zone Companies in the Special Development Zone for 2018.

2- Legislative Authority

These Regulations have been issued by the Department of Planning & Development – TRAKHEES in its capacity as the regulatory arm of Ports, Customs and Free Zone Corporation according to Decree No. (22) of 2009 issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum.

3- Application of Laws

The Federal Commercial Companies Law No (2) of 2015 shall not apply to any free zone company or branches thereof save for any matter contained in these Executive Regulations.

4- Validity Date

These Regulations shall take effect one month after being published on the website of the Department of Planning & Development – TRAKHEES.

5- Definitions

The following terms and conditions shall, wherever used herein, have the meanings given thereto unless the context otherwise requires.

- Trakhees** : Department of Planning & Development – The regulatory arm of Ports, Customs and Free Zone Corporation
- AED** : The UAE Dirham as the official currency of the United Arab Emirates
- Branch** : A branch of a foreign company established in the Free Zone.
- Companies Register** : Companies Register maintained by the Registrar according to Clause (9-1).
- Company** : A free zone company in the Special Development Zones.
- Board Member** : The person assuming the office of a board member of a given company including the alternative board member.
- Electronic** : Includes electronic, electrical, digital, magnetic, optical, biometric, electromechanical, wireless or electromagnetic technology.
- E-document** : A document including a book, report, register, application, agreement, meeting minutes, resolution, financial statement, notice, letter and account that may be generated, communicated, received or stored on an electronic means, instrument or system designated for transmitting, receiving or processing information.
- E-signature** : Letters, numbers, symbols, images, characters or a combination thereof affixed or incorporated in a document, e-document, information, letter or transaction in any electronic form to authenticate or approve such document.

- Fiscal Year** : In relation to a company, it is a consecutive period of (12) months commencing on the incorporation date thereof and as may be amended in these Regulations.
- Foreign Company** : A company incorporated in a jurisdiction other than the Free Zone.
- Special Development Zones** : According to Decree (22) of 2009, they are the lands, compounds and areas owned by Ports, Customs & Free Zone Corporation or Dubai World and respective affiliates in Dubai or within their jurisdiction, the areas that the Corporation may identify or the zones identified under a legislation issued by the Ruler including without limitation: Nakheel, Limitless, Dubai Maritime City, Istithmar, Dubai Multi Commodities Center (DMCC).
- Free Zone Establishment (FZE)** : A free zone establishment incorporated in the Free Zone in accordance with these Regulations subject to the features set forth in Article (9).
- Free Zone Company (FZCO)** : A free zone company incorporated in the Free Zone in accordance with these Regulations subject to the features set forth in Article (10).

- General Assembly** : A meeting of shareholders held in accordance with these Regulations.
- License** : A license issued by the Department of Planning and Development - Trakhees
- Ordinary Resolution** : A resolution approved at a General Assembly by more than 50% of the votes of shareholders with voting rights in person or by proxy if voting by proxy is permissible.
- Register** : A register maintained by the Company including a book, report, register, document, meeting minutes, ordinary resolution, special resolution, Board of Directors' resolution, finance statement, notice, and accounts including E-document.
- Registrar** : The person appointed as a registrar for Companies Register in accordance with these Regulations.
- Security Interests** : As defined under Article (49-1).
- Security Register** : The Security Register to be maintained by the Registrar in accordance with Article (8-3).
- Special Resolution** : A resolution approved at a General Assembly by more than 75% of the votes of shareholders with voting rights in person or by proxy if voting by proxy is permissible.
- UAE** : The United Arab Emirates

6- Entities Registered in the Free Zone

6-1 These Regulations include the following three types of companies:

- (a) Free Zone Establishment (FZE); and
- (b) Free Zone Company (FZCO).

6-2A foreign company may establish a branch thereof at the Free Zone. The Registrar may issue directives to establish and operate such branch.

6-3A company or a branch may not operate in the Special Development Zones without a license.

Chapter II: Registrar

7- Appointment, Powers and Functions of the Registrar

7-1 The Registrar shall have the powers and functions granted thereto by TRAKHEES represented by TRAKHEES Chairman. The chairman of TRAKHEES may remove or appoint the Registrar and may further, by a written notification, revoke any power or function of the Registrar or grant a power or function thereto.

7-2 The functions of the Registrar include:

- (a) Ensuring company's compliance with the TRAKHEES Laws;
- (b) Maintaining the registers under Article (9);
- (c) Issuing, suspending, revoking or cancelling a License;

- (d) Undertaking acts as may be required in furtherance of the functions and powers of the Registrar; and
- (e) Performing acts as may be authorized and required to be done by a written notification of the chairman of TRAKHEES.

7-3 In accordance with his powers and in furtherance of his functions, the Registrar may:

- (a) Issue in writing, with or without conditions, a notification, waiver, clarification, circular, an authorization, consent, approval, decision, guideline or communication in relation to any article or matter in these Regulations;
- (b) Request a company or a branch to provide the Registrar with its records or information;
- (c) Stipulate guidelines or forms to be used for regulatory functions;
- (d) Employ and appoint persons in the office of the Registrar; and
- (e) Delegate the authorities vested in the Registrar to a person inside or outside the UAE, including to a sub-registrar.

7-1 The Registrar may introduce a system for the use, storage, retention, transmission or processing of any electronic information, including E-documents. The Registrar may also prescribe a procedure for the issuance and use of e-signatures. An act done by a company or the Free Zone in an electronic form, or the use of an e-signature, in accordance with these Regulations and the applicable law, will not be held null and void merely on the grounds that it is in an electronic form.

7-2 The Licensing Department Manger (LDM) may appoint or remove a person as a sub-registrar by a written notification, and may grant to said sub-registrar any of the powers and functions of the Registrar.

8- Registers

7-3 Companies Register

The Registrar shall maintain a Companies Register to record companies' information including:

(a) In relation to a FZE and a FZCO:

- (1) Its name;
- (2) The name of each shareholder and the number of shares held thereby;
- (3) The name of each Board member;
- (4) The name of the manager;
- (5) The name of the secretary;
- (6) The details of the License;
- (7) Its capital;
- (8) The details of its head office; and
- (9) Any other information the Registrar may deem appropriate.

7-4 The Registrar may request the Company to issue a certificate confirming its information recorded in the Companies Register.

7-5 Security Register

The Registrar shall maintain a Security Register containing information in relation to the creation, alteration, enforcement and discharge of Security Interests, including:

- (a) The date of creation, alteration, enforcement and discharge;
- (b) The type of Security Interest being created;
- (c) The name of the person creating the Security Interest;
- (d) The name of the person in whose favor the Security Interest is created;
- (e) The details of the arrangement in relation to the creation of the Security Interest;
- (f) The priority of rights over a mortgage of a building, if any; and
- (g) Any other information the Registrar may deem appropriate.

7-6 The Registrar may, at the request of the Company or the person in whose favor the Security Interest is created, issue a certificate confirming the creation, alteration, enforcement or discharge of a Security Interest, as recorded in the Security Register.

7-7 The Registrar may maintain any other register it may deem necessary.

Chapter III: Free Zone Establishment (FZE) & Free Zone Company (FZCO)

Part I - Features of the FZE and FZCO

9- Free Zone Establishment (FZE)

9-1 A FZE is a limited liability company with one shareholder. A FZE shall state in all its dealings, contracts, notices, invoices, correspondence and printed materials that its liability is limited.

9-2 The liability of the shareholder towards the FZE, with respect to its shareholding, is limited to the capital paid by the shareholder in the FZE. Where the shares are not fully paid, the shareholder is liable to pay the unpaid portion.

9-3 A FZE has a legal personality independent from that of its shareholder.

9-4 A FZE has the capacity, rights and privileges accorded to a natural person.

9-5 A FZE may not invite the public to subscribe to its shares, nor may a FZE allot shares with the intention of offering the same to the public.

9.6. A FZE shall obtain a License to operate in the Special Development Zones. Such License is valid for operation in the Special Development Zones and does not authorize the FZE to carry out business outside the Special Development Zones. A FZE may operate in a jurisdiction other than the Special Development Zones subject to compliance with the laws of such jurisdiction.

10- Free Zone Company (FZCO)

10-1 A FZCO is a limited liability company with a minimum of one (1) and a maximum of five (5) shareholders.

10-2 The liability of a shareholder towards the FZCO, with respect to its shareholding, is limited to the capital paid by the shareholder in the FZCO. Where the shares are not fully paid, the shareholder is liable to pay the unpaid portion. A FZCO shall mention

in all its dealings, contracts, notices, invoices, correspondences, and printed materials that its liability is limited.

10-3 A FZCO has a legal personality independent from that of its shareholders.

10-4 A FZCO has the capacity, rights and privileges accorded to a natural person.

10-5 A FZCO may not invite the public to subscribe to its shares, nor may a FZCO allot shares with the intention of offering the same to the public.

10-6A FZCO shall obtain a License to operate in the Special Development Zones. Such License is valid for operation in the Special Development Zones and does not authorize the FZCO to carry out business outside the Special Development Zones. A FZCO may operate in a jurisdiction other than the Free Zone subject to compliance with the laws of such jurisdiction.

Part II - Incorporation

11- Application

11-1 The promoters of a FZE or FZCO may apply to the Registrar for incorporation by filing an application in the prescribed form containing the following information:

- (1) The name, nationality, address and details of each shareholder.
- (2) Trade name.
- (3) Initial approval.
- (4) The amount of capital.

- (5) The name, nationality, address and other details of the proposed Board Members, manager and secretary; and
- (6) Any other document or information the Registrar may request.

11-2 An application made under Article (12-1) shall be accompanied by:

- (a) A draft memorandum and articles of association for the approval by the Registrar; and
- (b) A lease agreement.

11-3 On approval of the application, the Registrar may issue:

- (a) A License;
- (b) A registered memorandum and articles of association; and
- (c) A certificate of shares at the request of customer provided that the capital has been deposited in full at the bank.

12- Memorandum & Articles of Association

12-1 A FZE and FZCO shall have a memorandum and articles of association. The memorandum and articles of association of a FZE or FZCO, as approved by the Registrar, shall come into effect on the date of the certificate of incorporation.

12-2 The memorandum and articles of association shall state:

- (a) The name of the FZE or FZCO;
- (b) The registered address of the FZE or FZCO;

- (c) The name, nationality and address of each shareholder;
- (d) The capital, its division into a number of shares, description of the classes of shares, if any, and the value of each share;
- (e) The number of shares subscribed by each shareholder;
- (f) The fiscal year;
- (g) Such other particulars as the Registrar may require.

12-3 Subject to these Regulations, a FZE and FZCO shall be governed by the memorandum and articles of association. The memorandum and articles of association shall bind the FZE and FZCO and their respective shareholders.

12-4 The Registrar may prescribe a standard form of the memorandum and articles of association for a FZE or FZCO. Up until such time the Registrar prescribes a standard form of the memorandum and articles of association in accordance with these Regulations, the existing memorandum and articles of association pursuant to which entities in the Special Development Zones are incorporated shall remain in full force and effect to the extent these are not inconsistent with any mandatory provision of these Regulations. In case of any inconsistency, these Regulations shall apply prevail. The FZE and FZCO shall be bound by the standard form of the approved memorandum and articles of association upon renewal of its license.

12-5 The memorandum and articles of association may be amended by a resolution passed by majority of shareholders with voting rights as prescribed in the memorandum and articles of association. An amendment to the memorandum and

articles of association of a FZE or FZCO shall come into effect once it is approved by the Registrar.

12-6 The memorandum and articles of association may be executed in English or Arabic. Each shareholder shall sign the memorandum and articles of association at the time of incorporation.

13- Name

13-1 The name of a FZE or FZCO shall be approved by the Registrar.

13-2 A FZE or FZCO may not register a name contradicting the laws relating to the protection of intellectual property in the UAE or any other laws in force in the UAE.

13-3 A FZE or FZCO may change its name by a Special Resolution, or by a resolution passed by such greater majority of shareholders with voting rights as prescribed in the memorandum and articles of association.

13-4 The name of a company incorporated as a FZE shall be followed by the abbreviation "FZE".

13-5 The name of a company incorporated as a FZCO shall be followed by the abbreviation "FZCO".

13-6 The Registrar may request a FZE or FZCO to change its name within the time the Registrar may determine.

13.7. The change of the name of a FZE or FZCO shall come into effect from the date of the certificate of change of the name issued by the Registrar.

Part III - Capital & shares

14- Capital

A FZE or FZCO shall have an amount of share capital that is sufficient for the activities permitted under the License.

15- Shares

15-1 The capital of a FZE or FZCO shall be divided into shares.

15-2 The shareholder shall pay the value of share in full upon distribution of shares unless the Registrar authorizes a share to be partly paid.

15-3 Each share shall have a distinctive serial number.

15-4 A FZE or FZCO may not issue bearer shares.

15-5 A FZE or FZCO may not issue fractional shares.

16- Capital Increase

16-1 A FZE or FZCO may, by a Special Resolution or by a resolution passed by such greater majority of shareholders with voting rights as prescribed in the memorandum and articles of association, increase its capital by issuance of additional shares.

16-2 The resolution for capital increase shall be filed with the Registrar within four (4) days following issuance thereof. The increase in capital of a FZE or FZCO shall come into effect once the Registrar records the same in the Companies Register.

17- Consolidation and Division of Shares

17-1 A FZE or FZCO may, by a Special Resolution or by a resolution passed by such greater percentage majority of shareholders with voting rights as may be prescribed in the memorandum and articles of association, consolidate or divide the shares into:

- (a) A lesser number of shares than before the consolidation, resulting in an increase in the value of each share; or
- (b) A greater number of shares than before the consolidation, resulting in a decrease in the value of each share.

17-2 The resolution for the consolidation or division of shares shall be filed with the Registrar within four (4) days from its issuance. The consolidation or division of shares of a FZE and FZCO shall come into effect once the Registrar records the same in the Companies Register.

18- Capital Decrease

18-1 A FZE and FZCO may, if so authorized by a Special Resolution or by a resolution passed by such greater percentage majority of shareholders with voting rights as may be prescribed in the memorandum and articles of association, with or without extinguishing or reducing liability on its shares, decrease its capital by:

- (a) Reducing the value of the shares, either by:
 - (1) Reimbursing part of the value to the shareholders; or
 - (2) By absolving the shareholders of the unpaid amount of their shares, where the Registrar has permitted shares to be partly paid; or
- (b) Cancelling paid up share capital, due to:
 - (1) A loss sustained by the FZE or FZCO; or
 - (2) Being unrepresented by the available assets of the FZE or FZCO.

18-2 Where a share of a FZE or FZCO is cancelled in order to decrease the share capital in accordance with Article (20-1-b):

- (a) The loss sustained by the FZE or FZCO or the capital that is unrepresented by available assets of the FZE or FZCO, shall be confirmed in the auditor's report; and
- (b) The share shall be acquired by the FZE or FZCO at the lowest cash or non-cash consideration at which the shares can be acquired provided that it does not exceed the amount, if any, set forth in or prescribed under the memorandum and articles of association.

18-3 A FZE and FZCO shall pay the costs of publication of the cancellation or decrease referred thereto in Articles (19-1 & 19-2) and publish the same within fourteen (14) days from issuance of the resolution to decrease its capital in two widely circulated newspapers.

18-4 Where the notices state that the decrease in share capital will be realized by:

- (a) Extinguishing or reducing the liability of a shareholder on a share; or
- (b) Reducing the value of a share in accordance with Article (19-1-a);

Then, a creditor of the FZE or FZCO may object to the decrease in capital during the period commencing on the date of publication and ending on the proposed effective date for decrease in capital. Where a creditor raises such objection, the decrease in capital may not take effect until such objection has been resolved by the respective parties or by the court.

18-5 Upon the lapse of notice term or proceeding with an objection by a creditor, if any, the majority of Board Members of a FZE or shall sign a certificate stating:

- (a) That the decrease in capital has been carried out in accordance with these Regulations; and
- (b) In the event that a creditor has objected to the decrease in capital; confirmation that the objection has been resolved, along with the withdrawal of the objection in writing, and where the objection has been filed and resolved by an order of a court, a copy of the order of the court approving the decrease in capital.

18-6 Upon the lapse of the notice term, and resolution of the objection, if any, the FZE or FZCO shall submit to the Registrar:

- (a) The resolution in Article (19-1);
- (b) The auditor's report referred thereto in Article (19-2-a), if any;

- (c) A copy of the newspaper announcement published in accordance with Article (19-3)
- (d) The certificate referred thereto in Article (19-5) and the documents evidencing the certificate as may be required by the Registrar.

18-7 The decrease in capital of a FZE or FZCO shall come into effect on the date the Registrar records the decrease in capital in the Companies Register.

19- Classes of Shares

19-1 Shares shall be issued in one class if the rights attached thereto are the same in all respects.

20- Share Transfer

20-1 Transfer of a share in a FZE or FZCO shall be effected by an instrument of transfer in writing in accordance with the guidelines issued by the Registrar. The instrument of transfer shall be submitted to the Registrar for approval. Transfer of a share is conditional upon settlement of the due fees to TRAKHEES.

20-2 On approval of the share transfer, the Registrar shall record the share transfer in the Companies Register. The share transfer shall come into effect from the date on which the transfer is entered in the Companies Register.

20-3 The memorandum and articles of association may provide for the manner by which a share can be transferred.

PART IV - Distributions

21- Dividends and Other Distributions

- (a) A FZE or FZCO may, by a resolution of the Board of Directors, declare dividends or distribution of any other funds, or recommend distributing dividends or any other distributions to the shareholders by an Ordinary Resolution, whether in cash or otherwise, out of the accumulated and realized profits, after deducting the accumulated and realized losses of a FZE or FZCO.
- (b) Where distribution of dividends or other distributions is declared, or the same is recommended to the shareholders; the Board of Directors shall issue a resolution, immediately after declaring the dividends or other distributions, confirming, on reasonable grounds, that the FZE or FZCO is able to pay its debts when they become due in the normal course of business.
- (c) In Articles (23 & 24); “Distribution” means the distribution of assets of a FZE or FZCO to its shareholders, including dividends, whether in cash or otherwise, except distributions by way of:
- (1) Issuance of bonus shares;
 - (2) Reduction of share capital, by extinguishing or reducing the liability of a shareholder on the shares; and
 - (3) Distribution of assets to shareholders of a FZE or FZCO upon liquidation thereof.

22- Unlawful Distribution

A shareholder shall return distributions received from the FZE or FZCO if such distribution has been made in breach of Article (22). Where the distribution received is in a form other than cash, the shareholder shall pay a sum equivalent to the value of the distributions.

PART V - Board Member, Manager and Secretary

23- Board Member

23-1 Except for matters required to be decided at a General Assembly, as provided in the memorandum and articles of association and these Regulations, the business and affairs of a FZE or FZCO shall be managed by the Board Members.

23-2 A FZE or FZCO shall have at least one (1) Board Member.

23-3 Any of the following persons cannot be a Board Member:

- (1) If a natural person, is under the age of 21 years, unless approved by the Registrar;
- (2) Has been convicted of a criminal offence, involving breach of trust or moral turpitude during the past ten (10) years;
- (3) Has been guilty of insider trading or the like;
- (4) Has been disqualified from his position as a Board Member by the court;
- (5) Has been disqualified based on the criteria provided in the memorandum and articles of association; or
- (6) Is declared bankrupt without being rehabilitated.

24- Election, Term and Removal of a Board Member

24-1 Founding shareholders of a FZE or FZCO shall appoint the first Board Member at the time of incorporation. A Board Member may be appointed or removed by an Ordinary Resolution or by a resolution passed by such greater majority of shareholders with voting rights as prescribed in the memorandum and articles of association.

24-2 A vacancy in the position of a Board Member may be filled by an Ordinary Resolution or by a resolution passed by such greater majority of shareholders with voting rights as prescribed in the memorandum and articles of association.

24-3 The number of Board Members may be fixed in the memorandum and articles of association.

25- Duties of a Board Member

A Board Member of a FZE or FZCO, in exercising powers and discharging duties, has a duty to:

- (a) Act honestly, in good faith and lawfully, in the best interests of the FZE or FZCO;
- (b) Exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances; and
- (c) Exercise independent judgment.

26- Duty of a Board Member to Disclose Interests

26-1 A Board Member, who has a direct or indirect interest in a transaction entered into or expected to be entered into by the FZE or FZCO or by a Subsidiary thereof, in a manner conflicting with the interests of the FZE or FZCO and of which the Board

Member is aware, must disclose to the FZE or FZCO the nature and extent of the interest.

26-2 The disclosure under Article (28-1) shall be made by the Board Member in writing to the FZE or FZCO, as soon as practicable after the Board Member becomes aware of the circumstances which gave rise to the duty of the Board Member to make the disclosure.

26-3 The FZE or FZCO or a shareholder of the FZE or FZCO may not claim a transaction to be void, or hold a Board Member accountable where:

- (1) The transaction is confirmed by an Ordinary Resolution; and
- (2) The nature and extent of the Board Member's interest in the transaction was disclosed in reasonable details in the notice calling the General Assembly at which the resolution confirming the transaction is passed.

27- Prohibition on Financial Assistance to a Board Member

27-1 A FZE or FZCO may not provide financial assistance to a Board Member, a Board Member's spouse or children, or to a company in which the Board Member directly or indirectly holds 20% or more of the total shareholding, unless:

- (a) Such assistance has been approved by a resolution passed by shareholders holding shares representing not less than 90 per cent of the total voting rights of the FZE or FZCO; and
- (b) All Board Members resolve that giving the financial assistance to the Board Member does not materially prejudice:
 - (1) The interests of the FZE or FZCO and its shareholders; and
 - (2) The ability of the FZE or FZCO to discharge its liabilities when they fall due.

27-2 For purposes of this Article (29), “financial assistance” means:

- (a) A loan, debenture, credit facility or other similar form of financial assistance; or
- (b) A guarantee or security or indemnity in connection with a loan, debenture, credit facility or other similar form of financial assistance, whether such financial assistance is provided by the FZE or FZCO or another person.

For avoidance of doubt, financial assistance does not include:

- (a) Remuneration of the Board Member paid in the ordinary course;
- (b) Liability indemnity insurance related to the discharge of the duties of the Board Member to the FZE or FZCO; or
- (c) Financial assistance by the FZE or FZCO where the business of the FZE or FZCO is to provide finance and the financial assistance is given in the ordinary course of that business and on ordinary commercial terms.

28- Alternate Board Member

28-1 Unless the memorandum and articles of association provide otherwise, a Board Member may, by a written instrument, appoint a person as an alternate Board Member. An Alternate Board Member shall not necessarily be a Board Member. The name of the Alternate Board Member shall be given in writing to the secretary of the FZE or FZCO prior to or at the time of commencement of a board meeting.

28-2 An Alternate Board Member has the same rights as a Board Member, including the right to attend and vote at meetings.

29- Validity of Acts of a Board Member

The acts of a Board Member are valid notwithstanding any defect in the appointment or qualification of a Board Member.

30- Manager

30-1 A FZE or FZCO shall have a manager. The name of the manager shall be recorded in the Companies Register and it shall appear on the License of the FZE and FZCO.

30-2 Any of the following persons cannot be a manager:

- (a) If a natural person, is under the age of 21 years, unless approved by the Registrar;
- (b) Has been guilty of insider trading or the like;
- (c) Is judged disqualified by the court; or
- (d) Has been disqualified based on a criteria provided in the memorandum and articles of association.

30-3 A shareholder, Board Member or secretary may also be appointed as a manager.

30-4 A manager of a FZE or FZCO may be appointed or removed by a resolution of the FZE or FZCO. In addition to the authorities of a manager under these Regulations, a manager may be granted authorities under the memorandum and articles of association or by a resolution of the FZE or FZCO.

31- Secretary

A FZE or FZCO shall have a secretary.

Part VI - Shareholders' meeting of a FZCO

32- Calling a Meeting

32-1 Unless a shorter duration is provided in the memorandum and articles of association, a FZCO shall hold a general meeting as its annual General Meeting within 18 months from the date of its incorporation and once every 12 months thereafter. A meeting of the shareholders, other than the annual General Meeting, shall be referred to as an extra-ordinary General Meeting.

32-2 A Board Member, manager or secretary shall, as soon as practicable and in any event not later than 14 days of the request of one or more shareholders holding shares representing:

- (a) 5% or more of the share capital of the FZCO; or
- (b) 5% or more of a class of shares, issue a notice for a meeting of that class provided that the shareholder's request shall state the purpose of the meeting and be signed by the shareholder.

32-3 If a Board Member, manager or Registrar does not within 14 days from the date of the deposit of the request issue a notice for the General Meeting, or a notice for a meeting of a class of shareholders, as the case may be, the shareholder who made the request may issue such a notice.

32-4 Board Members may call a General Assembly, or a meeting of a class of shareholders, to consider any matter that the Board of Directors sees it shall be considered by shareholders.

33- Registrar's Power to Call Meeting in the Event of Breach

33-1 A Registrar may, on application of a Board Member, manager or a shareholder, whether due to a breach of Article (36) or otherwise, call, or direct the manager to call, a General Assembly or a meeting of a class of shareholders.

33-2 The manager shall, unless with reasonable explanation notified to the Registrar, comply with a direction of the Registrar made under regulation (37-1).

34- Notice of Meeting

34-1 A meeting, be it a General Assembly or a meeting of a class of shareholders, shall be called by a notice in writing of at least 14 days and no more than 2 months, unless prescribed otherwise in the memorandum and articles of association. If a meeting is called by a shorter notice than 14 days; the meeting will be considered to have been duly called if it is so agreed by one or more shareholders holding shares representing 95% or more of the total voting rights in the FZCO, or shares representing 95% or more of the class of which a meeting is called, as the case may be.

34-2 A notice of a meeting shall:

- (a) Specify the time, place and date of the meeting;
- (b) Provide the agenda of the meeting;
- (c) State the general nature of the business of the meeting;
- (d) State the intention to propose a resolution, if any;
- (e) Permit a shareholder to appoint a proxy who may attend and vote on behalf of the appointing shareholder; and
- (f) Include a copy of accounts and auditor's report, if relevant.

35- General Provisions as to Meetings and Voting

Unless the memorandum and articles of association provide otherwise, the following provisions apply to the General Assembly or a meeting of a class of shares:

- (a) Notice of the meeting shall be given to each shareholder entitled to receive it by delivering or posting it to his registered address.
- (b) The quorum for the meeting is at least two shareholders personally present or represented by proxy.
- (c) Subject to the memorandum and articles of association, the shareholders may by majority of those present at a meeting elect a shareholder to be the chairman of the meeting.
- (d) The voting at a meeting shall be on a poll, where a shareholder has one vote for each share owned. On a poll, a shareholder entitled to more than one vote is not required to cast the same decision for all the votes. The voting at the General Assembly may be by a show of hands if shareholders holding shares representing 95% of the total capital of the FZCO agree to vote by a show of hands. Voting at a meeting of a class of shareholders may be by show of hands if shareholders representing 95% of the shares of that class agree to vote by a show of hands. When voting by a show of hands, a shareholder present in person at the meeting has one vote.
- (f) A shareholder who is a corporate entity may by a resolution or such other appropriate instrument authorize a person to represent such entity at the meeting and in so doing such person shall be entitled to exercise all the rights of the shareholder.

36- Resolutions in Writing

36-1 Unless prohibited in the memorandum and articles of association; shareholders may pass a resolution in writing signed by all shareholders entitled to vote.

36-2 A resolution of shareholders in writing may be signed in counterparts. The resolution shall be considered to be passed when the last shareholder signs the resolution or its counterpart.

36-3 A resolution of shareholders in writing in accordance with Article (40) shall be as valid as if it had been passed at a General Meeting.

37- Proxy

37-1 A shareholder entitled to vote at any General Assembly or at a meeting of a class of shareholders may appoint, by an instrument of proxy and by a notice to the FZE or FZCO in writing, another person (whether a shareholder or not) as a proxy to vote on behalf of the appointing shareholder.

37-2 The instrument of proxy shall be in the following form:
I/we, _____, being the holder of _____ shares in _____ FZCO, hereby appoint _____, as my/our proxy to vote on my/our behalf at the (annual general assembly/extraordinary general assembly/meeting of a class of shareholders) to be held on _____.

Signature

37-3 A proxy appointed to attend and vote for a shareholder has the same rights as the shareholder, including the right to attend and vote at the meeting.

38- Minutes and Access to Minutes Books

A FZCO shall keep minutes of meetings of shareholders, Board Members, and committees of the FZCO, in books maintained for that purpose. The minutes shall be signed by all the attendees or the chairman of the meeting. The minutes shall be evidence of the meeting unless proved otherwise.

39- Participation in Meetings

Subject to the memorandum and articles of association, a shareholder may participate in a meeting by phone or by other similar means of communication where a shareholder can establish their identity and hear what is said by another shareholder. A shareholder so participating at the meeting is considered to be present at that meeting with the other shareholders.

Part VII - Shareholder's meeting of a FZE

40- Calling a Meeting

40-1 A Board Member of a FZE may call the General Assembly to consider a matter that the Board Member sees it requires consideration of the shareholder.

40-2 A FZE shall hold the General Assembly as its annual General Assembly, within 18 months from the date of its incorporation and once every (12) months thereafter.

A meeting, other than the annual General Assembly, will be referred to as the extra-ordinary General Assembly.

41- Resolution in Writing

The General Assembly of a FZE shall be considered to be convened, and a resolution shall be considered to be passed at such General Assembly, by the shareholder issuing a decision in writing. If a decision is not taken in writing, the shareholder may provide the FZE with a record in writing of the decision.

42- Corporate Authority

42-1 If the shareholder of a FZE is a corporate entity, the shareholder may by a resolution or such other appropriate means authorize a person to represent the corporate entity and sign any resolution in relation to the FZE. Such person may be authorized to exercise all the rights of the shareholder.

42-2 A FZE shall keep minutes of meetings of the Board of Directors, and committees of the FZE, in books maintained for that purpose. The minutes shall be signed by the shareholder. The minutes shall be evidence of the meeting unless proved otherwise.

Part VIII - Records, Accounts and Auditor

43- Maintenance of Records

43-1 A FZE or FZCO shall maintain records for accounting purposes that are sufficient:

- (a) to account for monies received and expended;
- (b) to document the assets and liabilities;

- (c) to disclose the financial position; and
- (d) for an accountant to prepare financial accounts.

43-2 Records for accounting purposes include transactional, financial and contractual documentation, as well as supporting documents and information, that is generated during the course of business of the FZE or FZCO.

43-3 Records for accounting purposes shall be retained by a FZE and FZCO for a period of six (6) years from the date a record is created.

48-4 Records for accounting purposes shall be made available for inspection by a shareholder, Board Member, auditor, manager, secretary, the Registrar or a person authorized to inspect the Records.

44 - Accounts

44-1 The Board of Directors of a FZE or FZCO shall cause accounts to be prepared for each Financial Year.

44-2 The accounts of a FZE and FZCO shall:

- (a) Be prepared in accordance with applicable accounting principles or standards;
- (b) Is a fair and true representation of the financial affairs, including profits or losses; and
- (c) Be prepared in accordance with these Regulations.

- 44-3 The FZE or FZCO may change the date of commencement of the Financial Year, but a Financial Year cannot exceed (18) months or be shorter than (6) months.
- 49-4 The accounts of the FZE or FZCO shall be approved by the Board of Directors and shall be examined and reported on by an auditor. Once the accounts are approved and examined the manager shall sign the accounts.
- 44-5 Each shareholder is entitled to request the manager or the Board of Directors to provide a copy of the latest accounts and the latest auditor's report. This request shall be considered within (10) days.
- 44-6 The Board of Directors shall, for each Financial Year, furnish the General Assembly:
- (a) The accounts of the FZE or FZCO, as approved by the Board of Directors and signed by the manager; and
 - (b) The auditor's report.
- 44-7 Notwithstanding anything to the contrary contained in these Regulations, if all the shareholders pass a unanimous resolution in respect of a particular Financial Year, that during the Financial Year:
- (a) No accounts or auditor's report shall be laid before a General Meeting; or
 - (b) No auditor shall be appointed, then, subject to the approval of the Registrar, the requirement for laying the accounts and auditor's report, or appointing an auditor, as the case may be, shall be waived till the commencement of the next Financial Year.

45 - Appointment, Removal and Resignation of an Auditor

45-1 The Registrar shall maintain a list of approved auditors and a FZE or FZCO shall appoint an auditor from such list for the purposes for which an auditor is required under these regulations. A FZE or FZCO may appoint more than one auditor.

45-2 A FZE or FZCO shall not appoint an auditor who:

- (a) Has, or may reasonably be perceived to have, a conflict of interest; or
- (b) Is not, or may reasonably be perceived not to be, independent from the affairs of the FZE or FZCO.

45-3 The shareholders may by a resolution passed by such greater percentage majority of shareholders with voting rights as prescribed in the memorandum and articles of association, appoint one or more auditors to hold office until the close of the next General Assembly, and, if an appointment is not so made, the term of the appointment of the auditor already appointed shall extend until a successor is appointed. The shareholders at the first General Assembly shall appoint the first auditor, and if the shareholders fail to do so, the Board of Directors shall promptly appoint an auditor.

45-4 The shareholders may by an Ordinary Resolution, or by a resolution passed by such greater percentage majority of shareholders with voting rights as prescribed in the memorandum and articles of association, remove an auditor before the expiry of

the term of appointment, and shall appoint another auditor for the remainder of the term of the removed auditor.

45-5 The remuneration of an auditor shall be fixed by the shareholders.

45-6 An auditor may resign as an auditor by a notice of at least (42) days in writing to the FZE or FZCO stating the circumstances surrounding the resignation. The Board of Directors shall forthwith call a General Meeting for the appointment of an auditor in accordance with these regulations to ensure that a replacement auditor is appointed by the time the resigning auditor's resignation comes into effect.

46 - Auditor

46-1 The auditor shall audit the accounts of the FZE or FZCO once a year and prepare an auditor's report.

46-2 An auditor's report shall:

- (a) Identify the standards or principles used in preparing the accounts;
- (b) State whether in the auditor's opinion the accounts have been prepared in accordance with these Regulations and applicable laws, standards and principles;
- (c) State whether the accounts give a true and fair presentation of the financial affairs; and
- (d) State any other matter or opinion required under these Regulations.

46-3 An auditor has the right to access the Records of the FZE and FZCO that may be required for the audit. An auditor may require such information as the auditor may consider necessary. The FZE or FZCO shall disclose the requested information to the auditor.

46-4 The auditor is entitled to receive a notice of the General Assembly and to attend a General Meeting in respect of an agenda item that is in relation to a matter the auditor may be concerned with.

Chapter IV: Foreign Company Transfer to Free Zone

47- Transfer to Free Zone

A Foreign Company may, subject to the laws of the zone in which it has been incorporated, apply to the Registrar for continuation of business as a FZCO.

48- Transfer to Free Zone as FZE or FZCO

48-1 A Foreign Company may apply in the prescribed form to the Registrar for continuation of business as a FZE or FZCO. The application shall include the following:

- (a) The name, nationality, address and other details of each shareholder of the Foreign Company;
- (b) The name of the Foreign Company;
- (c) The details of the activities of the Foreign Company, the proposed activities of the FEZ or FZCO and the proposed License;

- (d) The existing capital of the Foreign Company;
- (e) The name, nationality, address and other details of the proposed Board Members, manager and secretary; and
- (f) Any other information the Registrar may request.

48-2 An application made under regulation (48-1) shall be accompanied with:

- (a) A resolution of the Foreign Company resolving to transfer the Foreign Company to the Free Zone and for it to continue as a FZE or FZCO;
- (b) A draft memorandum and articles of continuation. Memorandum and articles of continuation are the memorandum and articles of association for a Foreign Company continuing as a Company. Provisions of these Regulations in relation to the memorandum and articles of association apply to a memorandum and articles of continuation;
- (c) The memorandum and articles of association, or other equivalent constitution document, of the Foreign Company;
- (d) A copy of the lease agreement;
- (e) Documents specified by the Registrar for issuing the License;
- (f) Qualifications and experience of each shareholder, Board Member and manager, relevant to the proposed activities and the category of the License; and
- (g) Any other information required by the Registrar.

48-3 On confirmation of the head office and completion of the process of transfer, the Registrar may issue:

- (a) A License;
- (b) A certificate of continuation; and
- (c) A registered memorandum and articles of Continuation.

Chapter V - Security Interests

49- Types of Security Interests

49-1 The following security interests (“Security Interests”) may be created, amended and discharged under these Regulations:

- (a) A shareholder of a Company may pledge or otherwise charge its shares to a bank or financial institution as security for a debt or obligation of a shareholder, the Company or any other person; and
- (b) A Company may grant as security for a debt or obligation of the Company or any other person:
 - (1) A conditional assignment of a lease agreement of a Company in favor of any person;
 - (2) A mortgage over a building in favor of a bank or financial institution;
 - (3) A pledge over its movable assets, in favor of any person; or
 - (4) Any other security interest available under the laws of the UAE in favor of any person, as permitted by the Registrar.

49-2 A Security Interest agreement shall be in the form approved by the Licensing Department Manger (LDM) or his nominee.

50 - Registration of Security Interests

- 50-1 A Security Interest may be created by an application, from the Company or the shareholder creating the respective Security Interest, to the Registrar, in the form prescribed by the Registrar. The application must be submitted with the security agreement and other information as required by the Registrar.
- 50-2 A Security Interest will be created at the time it is entered in the Security Register by the Registrar subject to the consent of the Licensing Department.
- 50-3 Security Interests must be over existing assets or rights.
- 50-4 A Security Interest may be amended or discharged by an application, jointly made by the Company or shareholder creating the Security Interest and the person in whose favor the Security Interest is created, to the Registrar, in the form prescribed by the Registrar. The application shall be submitted with an amendment agreement or written confirmation of discharge by the person in whose favor the Security Interest has been created, and such other information as required by the Registrar.
- 50-5 A Security Interest will be held amended at the time it is amended in the Security Register.
- 50-6 A Security Interest shall be discharged after enforcement at the time it is recorded as discharged in the Security Register.

51- Enforcement

The person in whose favor the security interest created on the license subject of security shall have an order of an execution court granting enforcement of the Security Interest.

52- No Liability

Neither TRAKHEES nor the Registrar shall be liable for any loss suffered by a person, be it the Company, the shareholder or the person in whose favor a Security Interest is created.

Chapter VI: Liquidation

53- Modes of Liquidation

53-1 A Company may be voluntarily liquidated at the request of the Company.

53-2 A Company shall be under liquidation in the event of a voluntary liquidation. The Registrar shall include the phrase "under liquidation" after the name of the Company in the Companies Register. A Company shall include the phrase "under liquidation" after its name in its correspondence.

54- Voluntary Liquidation

A Company may be voluntarily liquidated where:

- (a) The term of Company, if any, has expired according its memorandum and articles of association expires;
- (b) An event, as may be provided in the memorandum and articles of association, occurs and gives rise to liquidation thereof; or

(c) The Company resolves, by a Special Resolution, or by a resolution passed by such other majority percentage of Shareholders with voting rights as prescribed in the memorandum and articles of association, that the Company be voluntarily liquidated. A copy of the Special Resolution for voluntary liquidation shall, on the date that it is issued, be submitted to the Registrar.

55- Appointment and Duties of Liquidator

55-1 One or more auditors must be appointed as liquidators by an Ordinary Resolution, as soon as practicable after the liquidation of a Company. The appointment of a liquidator shall be immediately notified to the Registrar.

55-2 A copy of the Ordinary Resolution for appointment of a liquidator shall on the date that it is issued be submitted to the Registrar. The Registrar must enter the name of the liquidator in the Companies Register.

55-3 A liquidator shall have the authority to conduct the affairs of a Company under liquidation. A liquidator shall:

- (a) Prepare a list of the Company's assets and liabilities and a balance sheet signed by the liquidator and the Manager or Board Members;
- (b) Create a register for the liquidation process;
- (c) Maintain the Company's assets and entitlements;
- (d) Collect the funds owed to the Company by others, and deposit the sums received in the bank account of the Company immediately upon receipt;
- (e) Operate, maintain and close the bank accounts of the Company;
- (f) Represent the Company before a court;

- (g) Pay the Company's debts;
- (h) Sell the Company's movable property or real estate;
- (i) Provide Shareholders with a provisional account on the liquidation process every (6) months; and
- (j) Give the information or data requested by the Company concerning the condition of the liquidation process.

55-4 The powers and duties granted to a liquidator shall not, unless the liquidators so requires, be performed by the officers of the Company, and the role of the officers must be limited to assisting the liquidator in performance of the liquidator's powers and duties.

55-5 Where a Company is under liquidation due to an order of the court, the court may identify the method of liquidation and appoint the liquidator.

55-6 A liquidator cannot undertake any new business for the Company, unless necessary for the completion of a previous business.

55-7A liquidator may not be removed by an Ordinary Resolution, unless the resolution for removal prescribes an appointment of another liquidator. The removal and replacement of a liquidator is subject to the Registrar's approval.

56- Distribution of Assets

56-1 A liquidator must notify, by registered mail, all the creditors of the Company of the commencement of liquidation and invite the creditors present their claims.

56-2 A liquidator shall publish the commencement of liquidation of the Company in two local daily newspapers, one in Arabic and one in English, to invite objections to the liquidation within a minimum period of (45) days.

56-3 The assets of the Company shall be distributed by the liquidator in the following order:

- (a) First for settlement of the amounts payable to TRAKHEES;
- (b) The remaining for the settlement of the cost of liquidation, including the liquidator's fee;
- (c) The balance shall be allocated to the creditors; and
- (d) The balance shall be distributed over the shareholders on a pro rata basis.

56-4 Where a creditor fails to present its claim, the liquidator shall deposit the sum owed to that creditor in the court.

57- Completion of Liquidation

57-1 On completion of liquidation in accordance with these Regulations, the liquidator shall issue a final liquidation report to the Registrar.

57-2 The Registrar may, provided that the liquidation has been conducted to the satisfaction of the Registrar, in relation to the Company under liquidation:

- (a) Cancel the License; and
- (c) Remove the Company from Companies Register, as well as any other registers maintained by the Registrar.

58- License Termination by the Registrar

58-1 The Registrar may completely terminate the license where:

- (a) The Company fails to carry out its business set forth in the license within a year following incorporation thereof or its business under the license has been suspended for a year;
- (b) The Company violates the law of TRAKHEES or other applicable laws;
- (c) The Company fails to renew its license; and
- (d) The court held that the Company shall be liquidated.

Chapter VII: Penalties

59- Types of Penalties

The Registrar shall have the authority to impose a penalty on the company, where it violates TRAKHEES laws or any applicable laws all or part of the following penalties:

- (a) Termination of the License;
- (b) Imposition of a fine; or
- (c) Any other penalty determined by the Registrar.

60- Fines

In the event of breaching the laws and regulations in force in TRAKHEES; TRAKHEES may impose the fines set forth in the attached violations table.



Sultan Ahmed Bin Sulayem

Chairman of Ports, Customs & Free Zone Corporation

Issued by us in Dubai on 1 April 2020.

Executive Regulations of the Free Zone Companies in the Special Development Zones for 2018

Attachments

Table of Penalties & Violations

#	Violation Description	Penalty Amount
1	Practicing a commercial activity without a license	AED5,000
2	Non-compliance with the terms of Permit	AED3,000
3	Practicing a business activity at un-registered location(s)	AED1,000
4	Practicing a business activity in the establishment during closure period	AED10,000
5	Non-renewal of the license	AED200 per month. A fraction of a month shall be deemed a full month.
6	Changing or addition of an activity without permission	AED2,000
7	Practicing a permitted business activity outside the establishment	AED2,500
8	Advertising in newspapers and other mass media about the practice of an economic activity contrary to the legislations in force	AED5,000
9	Exploitation of the establishment location to practice unpermitted activities	AED2,000
10	Obstructing the work of the Corporation's employees	AED10,000
11	Failure to attend when requested by Corporation	AED500
12	Failure to comply with the undertaking submitted to the Corporation or any instructions, requirements or regulations issued thereby	AED2,000
13	Submitting false information to Corporation	AED20,000
14	Failure to comply with gymnasium working hours	AED2,000
15	Installing lucky slot machines and other gambling games machines	AED3,000
16	Promoting a product or a service by telephone or access to residential areas	AED2,000
17	Promoting products through travelling vendors without permission	AED500
18	Storing goods inside offices and stores without permission	AED1,000
19	Display products or providing services outside stores without permission	AED1,000
20	Door-to-door selling	AED1,000

21	Men's access to female salons or gyms or women's access to male salons, gyms or massage centers.	AED5,000
22	Selling or displaying publications or goods that are offensive to the public order, morality, Islamic instructions or traditions and customs of the United Arab Emirates	AED10,000
23	Selling explosives or fireworks and dangerous devices	AED3,000
24	Organizing or holding an exhibition or a conference without a permission	AED5,000
25	Working for additional hours without permission from the Corporation	AED1,500
26	Restaurants and the like non-compliance with work permission requirements during the month of Ramadan	AED5,000
27	Setting up a commercial tent without permission	AED15,000
28	Installing ATMs outside banks or vending machines without permission	AED3,000
29	Restaurants and cafeterias and the like practice of business during the month of Ramadan without permission	AED5,000
30	Non-compliance with permission to work for additional hours	AED1,000
31	Adding an additional office without permission	AED2,000
32	Shading of the store front facade by more than 50%	AED250
33	Placing kiosks/counters/cabinets for commercial purposes without permission.	AED2,000
34	Manipulating prize raffle draw	AED15,000
35	Prize raffle draws without presence of representative of the Corporation.	AED10,000
36	Selling promotional campaign tickets without permission	AED5,000
37	Failure to deliver the raffle draw prize to winners within the period determined by the Corporation.	AED5,000
38	Non-compliance with the period specified in the liquidation permit	AED5,000
39	Non-compliance with the locations specified for the promotional campaign events	AED5,000
40	Extending promotional campaigns without the permission from the Corporation.	AED3,000
41	Organizing promotional campaigns contrary to the authorized method.	AED5,000

42	Making discounts, sales, offers, promotional campaigns or giving prizes without permission	AED10,000
43	Not keeping the price-lists approved by the Corporation during sales or special offers	AED500
44	Non-compliance with the term specified in the discount sale permit (sales/special offers)	AED1,000
45	Not placing the approved price tags on goods	AED500
46	Non-compliance with the space area specified in the discounts, sales or special offers permit	AED2,000
47	Unsettlement of the promotional campaign status within two months	AED3,000
48	Non-compliance with the time framework specified for the raffle draw	AED2,000
49	Placing an advertising board inside the establishment without permission	AED500
50	Distributing and posting advertising publications in public and private places without permission	AED1,000
51	Unavailability of an advertising sign indicating the trade name	AED500
52	Non-compliance with the advertisement standards approved by the Corporation	AED1,000
53	Using Dubai Shopping Festival logo or Dubai Summer Surprises without permission from the competent authority	AED20,000
54	Lack of conformity between the list approved by the Corporation and the prices placed on the displayed products	AED2,000
55	Non-compliance with the time limit specified by the Corporation to remedy causes of violations	AED5,000
56	Failure to use Dubai Shopping Festival or Dubai Summer Surprises posters and advertising materials for the establishment participating in the festival	AED1,000
57	Using Dubai Shopping Festival or Dubai Summer Surprises posters and advertising materials without permission	AED5,000
58	Disposing of goods confiscated by the Corporation	AED5,000
59	Refusal to sign goods seizure and confiscation report or sample taking report	AED1,000

60	Holding products from anonymous sources, undocumented or containing misleading information for trade or sale	AED5,000
61	Taking any action to manufacture, display, sell, market or promote goods in a manner contradictory to the legislations in force within the Corporation.	AED15,000