

The Organization of Family Property Ownership in the Emirate of Dubai: Embracing the New Law

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Analysis

Initial comments from the desk of Walid S. Chiniara on the newly enacted Dubai Law No. 9/2020 dealing with the organization of family property ownership in the Emirate of Dubai.

The Family Property Ownership Law: A World Première

Dubai Law No. 9/2020 is a world première and may be viewed as a call to arms.

Indeed, family-controlled businesses in Dubai represent potentially as much as 90% of the private sector, the largest contributor to the national GDP, and the largest employer by far. Their sustainability is a national imperative and their survival in the hands of the next generation a matter of the highest interest for the stability of the economy.

Replacing a charismatic and successful founder with a group of successors requires families to embark on a conversation that leads to a comprehensive 'family ownership agreement'. Such an agreement would document their understanding and the manner in which they wish to engage to protect and manage their wealth and their family, long-term.

Experience has shown that a conversation among family members is not as straightforward as it may sound. Governance cannot be imposed on anyone and requires the buy-in of all interested parties. It empowers family members, especially the minority shareholders among them, and gives them a voice. This is the reason why the journey leading to a scalable succession plan is long and fettered with obstacles.

The application of Dubai Law No. 9/2020 is optional and as such, offers those families who are unable to reach a consensus among themselves, an alternative roadmap. Many may find its provisions intrusive, but others, to the contrary, may find them helpful and will use them as a guide to start a conversation.

Our top five notable takeaways from Dubai Law No. 9/2020 include:

- The importance of the family, its security and its unity, the whole protected by a special judicial committee, whose primary role is to prevent deadlocks and manage conflict.
- The collaborative approach of building 'family ownership agreements' and the binding and enforceable nature thereof.
- The position afforded the NextGen family business entrepreneurs in building the future.
- The significance of devising governance systems and policies and the fundamental role institutions, such as family assemblies, family boards, and family leadership play in developing a culture of communication within a family business.
- The need to revisit and revise the agreement, on a regular basis, to account for the changes that occur during the life cycle of the family and that of their business and wealth.

Time will tell how this new law will be used and implemented.

In the meantime, we hope the law and the messages it carries will encourage business families to reflect on the need to embark on their own succession planning journey, with the aim of introducing and implementing strong governance measures at the three levels: (i) the family; (ii) the business; and

(iii) the private wealth.

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Walid S. Chiniara is an international finance lawyer, a leading expert, and a recognized pioneer in matters pertaining to legal strategy, governance, and dynastic planning for family enterprises. In 2021, Walid will celebrate 40 years of practising law across five continents. 24 of those years would have been spent serving elite business families in his capacity as a trusted advisor and a mediator managing intergenerational conflicts within a family business context. Over time, Walid has forged himself a reputation as the go-to person for mission-impossible family business succession planning. His latest book was published in May 2020, and is titled: *Dynastic Planning – A 7-Step Approach to Family Business Succession Planning and Related Conflict management*.