

## Legal Requirements Relating to Companies

Company Type	Definition	Primary Requirements	Important Notes
Public Shareholding Company (BSC)	<ul style="list-style-type: none"> <li>- Such type of companies consists of a number of partners who underwrite negotiable shares with no liability for the debts of company and its obligations except by the amount of the value of their shares.</li> </ul>	<ul style="list-style-type: none"> <li>- The share capital is required to be adequate to achieve the purposes of company with share capital not less than 1 Million BD (1.000.000 BD).</li> <li>- The company is required to have an issued share capital and the Articles of company may specify an authorized share capital not to exceed ten times the issued share capital. The issued share capital is required to be fully underwritten where all the underwriters are required to pay at least a quarter of the nominal value of cash shares provided that the rest of such value shall be paid with a period not exceeding five years as of the date of incorporation.</li> <li>- The shares of shareholding company shall be issued with their nominal value and may not be issued with less value. if such shares are issued with higher value, the increase shall first be allocated to fulfill the issue costs, then the legal reserve.</li> <li>- The share shall be indivisible, however, two persons or more may hold one or a number of shares where they shall be represented before the company by one person and the joint partners shall be jointly liable for the obligations of such acquisition.</li> <li>- The shares shall be nominal and negotiable.</li> <li>- The company is required to appoint an auditor or more who shall prepare at each fiscal year a report on the activity of company during such fiscal year, its financial position, budget and profit and loss account.</li> <li>- A 10% of net profit shall be deducted per annum to be allocated to statutory reserve account unless the Articles of company specify higher percentage. Such deduction may be suspended if the reserved reaches 50% of paid up share capital unless the Articles of company specify higher percentage.</li> <li>- The shareholding companies are entitled to borrow by means of issuing bonds by a resolution of the ordinary general meeting and based on a suggestion from the Board of Directors include the company need to borrowing and the conditions of issuing bonds.</li> </ul>	<ul style="list-style-type: none"> <li>- The number of founders may not be less than two founders save the companies that the government solely establishes or participate in their incorporation.</li> <li>- The share value may not be less than 100 Fils and not more than 100 BD.</li> <li>- Shareholding companies may be incorporated with a variable share capital according to the Ministerial Resolution</li> </ul>



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Closed Shareholding Company (Closed BSC)	Such types of company consist of a number of shareholders, no less than two, who underwrite negotiable shares among themselves and without underwriting such shares in public.	<ul style="list-style-type: none"> <li>- The minimum share capital of the company shall be 250,000 BD.</li> <li>- The share value may not be less than 100 Fils and no more than 100 BD.</li> <li>- The company is required to appoint one auditor or more.</li> <li>- The entire value of shares, or at least 50% thereof, shall be deposited at approved banks provided that the remaining value of shares is fulfilled with a period not exceeding 3 years.</li> <li>- The shares of closed shareholding companies shall not be traded except after fulfilling the entire value of shares save for the trading operations implemented by the founders during that period.</li> </ul>	<ul style="list-style-type: none"> <li>- Save for companies listed on the stock exchange, the articles of closed shareholding companies may contain a restriction of the shareholder's right to dispose of their shares in both of the registers or one of them (shareholder preferential right to purchase after consent of Board on the share buyer). It shall be excluded from the two registers in case of disposition between shareholders, spouses, assets, and subsidiaries and the company shall not be listed on the stock exchange if the articles of the company contain any of these two registers.</li> <li>- If the share capital of the company increases, shareholders shall have the priority to underwrite new shares.</li> </ul>

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Limited Liability Company (W.L.L)	A company which consists of no owner or partners where none of them is liable except by the amount of their share in the share capital of the company.	<ul style="list-style-type: none"> <li>- There is no minimum share capital.</li> <li>- The share capital of a company is divided into equal shares. The share shall not be indivisible or a non-negotiable share.</li> <li>- The company shall not be incorporated unless all cash and in-kind shares are distributed among the partners as well as being fully paid and the in-kind shares are delivered to the company.</li> <li>- The company shall maintain a reserve share capital as per the prescribed rules for the shareholding companies.</li> <li>- The company is required to appoint one auditor or more who shall be selected by the general meeting of partners.</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- The limited liability company shall not be responsible for the business relating to insurance, banks, or investment of others' funds in general.</li> <li>- Neither incorporation of the company, increase in its share capital, nor borrowing for its account may be done by underwriting shares in public.</li> <li>- The company may not issue negotiable shares or bonds of any kind.</li> <li>- Transfer of shareholders' shares shall be subject to redemption from partners and the special conditions stated within the Memorandum of Association in addition to what is prescribed thereon.</li> </ul>



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Limited Partnership Company	<ul style="list-style-type: none"> <li>- A company that consists of two persons or more under certain name and the partners shall be jointly liable on all their funds for the obligations of company.</li> </ul>	<ul style="list-style-type: none"> <li>- The partners shall be jointly and personally liable in all their funds for the obligations of company.</li> <li>- The partner shall acquire the capacity of merchant.</li> </ul>	<ul style="list-style-type: none"> <li>- The law permitted to establish Partnership Company whatever their kind between Bahraini and non-Bahraini partners in terms of practice of freelance jobs or others in accordance with rules and controls issued by a resolution from Minister of Industry, Trade and Tourism.</li> <li>- bankruptcy of Partnership Company shall lead all partners to bankrupt.</li> <li>- The creditors of Partnership Company shall have the right to recourse against the company in its funds and they also are entitled to recourse against any partner</li> <li>- was a member therein at the time of contracting in their own funds.</li> </ul>



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simple commandite company	<ul style="list-style-type: none"> <li>- A simple commandite company is concluded between one or more partners who are responsible and jointly liable for the company's obligations in all of their money, and one or more partners who are owners of funds in it and are outside the management and are called sleeping partner. Each of them shall not be liable for the obligations of the company except to the extent of his share in the capital.</li> </ul>	<ul style="list-style-type: none"> <li>- The Simple Commandite Company is subject to the rules established in the Bahraini Partnership Company in terms of the establishment of the company, its management, and in terms of its termination and liquidation.</li> </ul>	<ul style="list-style-type: none"> <li>- The simple commandite company may not interfere in managing the company even under power of attorney, otherwise he shall be jointly with the joint partners liable for the obligations resulted from such works.</li> <li>- The name of simple commandite company shall only include the names of joint partners, so in case of being a single joint partner, the term (&amp; Co.) is required to be added to his name.</li> <li>- If the limited partner name appears in the name of company, he shall be liable as a joint partner towards well-meaning third parties that dealt with the company (if his name is mentioned with his knowledge).</li> </ul>



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Limited by Shares Company	A company that consists of two classes of partners, one of which is the class of joint partners who are jointly liable in all their funds for the obligation of the company and the other class is the limited partners (shareholders) who are not liable for the obligations of the company except by the amount of their shares in the share capital.	<ul style="list-style-type: none"> <li>- The number of founders shall not be less than 4.</li> <li>- The company is required to appoint one auditor or more.</li> <li>- The minimum share capital of a company shall be 20,000 BD.</li> <li>- The share capital of a company shall be divided into par value, negotiable, and indivisible shares.</li> </ul>	<ul style="list-style-type: none"> <li>- The limited partner (shareholder) may not interfere in managing the business of the company relating to third parties even if based on an authorisation.</li> <li>- If the limited partner name (shareholder) appears in the name of the company without knowing the same, they shall be deemed a joint partner towards the wellbeing of the third parties they dealt with.</li> <li>- The name of the company consists of the name of one joint partner or more and a designation that is innovative or derived from the purpose thereof may be added to the name of the company.</li> <li>- The term of the first supervisory board ends with the holding of the company's ordinary general assembly.</li> </ul>
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Foreign Branch	Each foreign branch, incorporated and registered outside the Kingdom of Bahrain, that is licensed to practise certain business in Bahrain.	<ul style="list-style-type: none"> <li>- Head office for the branch in Bahrain is required.</li> <li>- All the documents submitted to establish the company must be in Arabic or English. In case of being written in another language other than these two languages, then an Arabic or English translation certified by a competent authority shall be attached therewith.</li> <li>- The branch is required to have a brand name identical to the original name of the company and followed by the statement "Foreign Branch".</li> <li>- The branch is required to submit an audited annual financial statement showing the financial position of the company.</li> <li>- The branch shall be subject to the applicable laws in Bahrain.</li> </ul>	