

**Decree Law No. (28) for year 2020 amending some provisions of the Commercial  
Companies Law promulgated by Decree Law No. (21) of 2001**

Manama, September 28 (BNA): His Majesty King Hamad bin Isa Al Khalifa, may God preserve and protect him, issued a Decree Law No. 28 of 2020 amending some provisions of the Commercial Companies Law promulgated by Decree No. 21 of 2001, in which it stated:

**Article one**

The texts of Articles (1) the Second Paragraph, (2) Paragraph (a), and (18 bis) the beginning of Paragraph (a), (30), (44) Paragraph (a), and (45) Paragraph (a), (53) Paragraph 1, (111), (126), (128) Paragraph (a), (131), (168) Paragraph (f), (183), and (184 bis) Paragraph (a), (187) Paragraph (b), (188), (189) Paragraph (d), (199) Paragraph (a), (201) and (212) Paragraph Two (215) Paragraph (b), (215 bis) Paragraph (c), (224) Paragraph Three, (261) Paragraph One, (268), (269) Paragraph 1, (271), And (272) and (285) Paragraph (a) of the Commercial Companies Law promulgated by Decree Law No. (21) of 2001, shall be replaced by the following provisions:

**Article (1) - Second Paragraph**

Notwithstanding the provisions of the foregoing paragraph, a company may consist of one person and non-profit companies may be established, in accordance with the provisions of this law.

**Article (2) - Paragraph (a)**

- a) A commercial company incorporated in the Kingdom of Bahrain shall take one of the following forms:
1. General Partnership Company
  2. Limited Partnership Company
  3. Association in Participation
  4. Joint Stock Company
  5. Limited Partnership by Shares
  6. Limited Liability Company

**Article (18 - bis) - Paragraph (a)**

- a) The promoter, partner, capital owner, the company's manager or the member of the board of directors in a joint stock company, closed joint stock company or limited liability company - as the case may be - shall be liable to the extent of all his funds for any damages that may be sustained by the company, partners, shareholders or third parties, in any of the following cases:

**Article (30)**

The company's Memorandum of Association and subsequent amendments thereto shall be notarized by entering it in the Commercial Registry in conformity with the law of this registry. A summary of the company's Memorandum of Association and subsequent amendments thereto shall be published in the website of the Ministry concerned with commercial affairs.

**Article (44) - Paragraph (a)**

- a) If the manager is a partner appointed in the company's Memorandum of Association, he may be dismissed by a decision of the partners holding at least 75% of the share capital of the company, provided that there is an acceptable justification for that. Any agreement to the contrary shall be null and void.

**Article (45) - Paragraph (a)**

- a) If the manager is a partner appointed in the Memorandum of Association, he shall not resign his office for unacceptable reasons, otherwise, he shall be liable to pay compensation.

**Article (53) - First Paragraph**

A limited partnership company shall have a special name which may be derived from its objectives, the name of the company shall be followed by the phrase (limited partnership company) and it must be mentioned in all company contracts, invoices, announcements, documents and publications. If not mentioned, the company's managers are jointly liable to the extent of their private funds towards third parties.

**Article (111)**

The Articles of Association of the company may stipulate that the company may have preference shares in addition to the ordinary shares, for which some rights and privileges are decided in respect of voting, profits, or other rights and privileges. The company's Articles of Association may stipulate that the company may have several types of classifications of the preference shares, provided that these shares from same type of classifications shall be equal in respect of rights and privileges. The privileges or rights pertaining to preference shares or any of its classifications, if any, shall not be amended unless otherwise approved by two-thirds of the holders of the class of shares subject to the amendment.

In all cases, preference shares may not be issued without the approval of the extraordinary general assembly. The holders of the preference shares shall have the priority right to subscribe with respect to those shares only. If the preference shares have more than one type of classification, the holders of these classes shall have the priority right to subscribe into the new preference shares within the same class.

Preference shares shall be issued in accordance with the provisions of the Central Bank of Bahrain Law and Financial Institutions promulgated by Law No. (64) of 2006 and the regulations issued in implementation of its provisions for listed joint stock companies or companies licensed by them. The Minister concerned with commercial affairs shall issue the regulations and requirement of issuing of the preference shares for other companies.

#### **Article (126)**

The capital may be increased in one of the following ways:

- a. Issuing new shares for the amount of the increase.
- b. Converting the loan bonds issued by the company into shares.
- c. Converting the company's debt into shares in favor of the debtor.
- d. Contributing in kind shares in the Company.
- e. Converting the reserve or part of the distributable profits into capital through one of the following methods:

1. Increasing the nominal value of the original shares without asking the shareholders to pay the difference, which shall instead be paid from the reserve, and the shares shall be marked with their new value.
2. Issuing new shares for the amount of the increase and distributing them free of charge to the original shareholders in proportion to the original shares each shareholders owns.

**Article (128) - Paragraph (a)**

- a) The shareholders shall have priority right to subscribe for the new shares, and any condition to the contrary shall be deemed non-existent, however as an exception, the shareholders shall not have the priority to subscribe into any of the following:
1. Shares issued by the company for the purposes of employee incentive schemes.
  2. Shares issued by the company to admit a strategic partner in accordance with the provisions of Article (127 bis) of this law.
  3. Shares issued by the company against debt in accordance with the provisions of Article (127 bis 1) of this law.

**Article (131)**

The resolution of increasing the share capital shall be published on the website of the Ministry concerned with commercial affairs, after endorsing the increase in the Commercial Registry.

**Article (168) - Paragraph (f)**

- (f) Disposing of the shares he owns and having a priority in subscribing for new shares in accordance with the provisions of the law, taking into consideration the provisions and decisions governing the rules, conditions and procedures for acquisitions and mergers issued by the Central Bank of Bahrain with regards to listed joint stock companies or companies licensed by them, and issued by the Minister concerned with the commercial affairs in relation to the other companies.

**Article (183)**

The chairman of the board of directors is the company's chairman, and represents it before third parties, and his signature is considered as the signature of the board of directors before third parties. He shall implement the board decisions and abide by its recommendations. The vice-chairman shall act for the chairman in his absence, and has the same powers as the chairman.

However, the company's Articles of Association may provide for the delegation or involvement of another member of the board of directors or the executive management in exercising the powers of the chairman.

**Article (184 bis) - Paragraph (a)**

- a) An audit committee shall be formed by the board of directors which consist fully by its members by a resolution passed by the Board of Directors to review the Company's accounting and financial practices, accounting audits and matters related to it, adherence to the provisions of the law and the company's regulations and policies. The Corporate Governance Code defines the composition, Specializations, system of work and remuneration of its members.

**Article (187) - Paragraph (b)**

- b) Each shareholder may bring the claim against the company's board of directors separately if the company fails to raise it in accordance with the provisions of paragraph (a) of this article if the damage caused a direct harm to him as a shareholder after he notifies the company by a registered letter, at least 30 days prior filing the case. Any provision mentioned in the Articles of Association of the Company which stipulates otherwise shall be deemed null. The shareholder may request, during the proceedings, the defendant or a third party to provide any documentation which are relevant to the subject matter without the need to specify each document separately.

**Article (188)**

The company's Articles of Association shall specify the manner of determining the remuneration of the chairman and members of the board, the total of which shall not exceed 10% of the net profits after deducting the legal reserves and distributing a profit of not less than 5% of the company's paid-up capital. The general assembly may decide to pay an annual remuneration to the chairman and members of the board in the years in which the company has not achieved profits or the years in which no dividends are paid to the shareholders, provided that the minister concerned with trade affairs approves such payment. The board of directors' report to the general assembly shall include a comprehensive account of all payments that the chairman and members of the board of directors obtained, each separately, during the financial year, including salaries, profit shares, representation allowances, attendance allowances and expenses and the like. The report shall also include an account of the amounts paid to the members of the board in their capacities as employees and administrators, and what they have received for technical, administrative or consulting services or any other business. The aforementioned report shall also include the remuneration of the executive management members, each separately, including any salaries, privileges, benefits, and shares.

**Article (189) - Paragraph (d)**

- d) Without prejudice to the rights of third parties with good faith, if the terms of the contract or the actions were unfair or harmful to the interests of the shareholders, the court shall require the member of the board of directors that has the conflict of interests to pay compensation and to return to the company any profit or benefit realized by him. The court may also decide to prohibit him from undertaking any management position in any company or to represent it, for a period not less than one year, and it may overrule the contract or act. Without prejudice to the provisions of paragraph (b) of Article (18 - bis) and Article (186) of this Law, the rest of the board of directors and managers shall be jointly liable with the director that has the conflict of interests, if they have approved the contract or act.

**Article (199) - Paragraph (a)**

- a) The invitation to the shareholders to convene the General Assembly shall be published in at least two local daily newspaper, one in Arabic and the other in English. The publication shall be made at least Twenty One (21) days before the meeting and shall include the Agenda of the Meeting and it shall detail and contain the necessary information as specified in the Implementing Regulations.

**Article (201)**

The chairman of the board of directors or his deputy or whoever is delegated by the board of directors or by the general assembly shall preside over the general assembly meeting. The meeting shall not be valid unless it is attended by a number of shareholders representing more than half the capital. If this quorum is not available, an invitation shall be sent for a second meeting to be held for the same agenda within 7 to 15 days from the date fixed for the first meeting. The second meeting shall not be valid unless it is attended by a number of shareholders representing more than 30% of the capital at least.

The third meeting shall be valid regardless of the number of attendees. Sending a new invitation for the last two meetings may not be necessary if the dates thereof has been fixed in the invitation for the first meeting, provided that publication shall be made in at least two local daily newspapers, one in Arabic and the other in English that none of these two meetings has been held.

**Article (212) - Second Paragraph**

A new invitation for the last two meetings may not be sent if the dates thereof have appeared in the invitation for the first meeting, provided that publication shall be made in at least two local daily newspapers, one in Arabic and the other in English, that none of these meetings has been held.

**Article (215) - Paragraph (b)**

- b) The shareholder may, during the consideration of the claim of invalidity referred to in paragraph (a) of this article, require the defendant or third parties to submit any documentations or parts thereof in his possession without the need to specify each document separately.

**Article (215) - Paragraph (c)**

- c) The shareholder may, during the consideration of the claim of invalidity referred to in paragraph (a) of this article, require the defendant or third parties to submit any documentations or parts thereof in his possession without the need to specify each document separately.

**Article (224) - Third Paragraph**

Taking into consideration the rules issued by the Central Bank of Bahrain, the statutory reserve can be used to increase the company's share capital or to cover its losses that caused deficiency in its share capital. If this reserve exceeds 50% of the issued share capital, the general assembly may decide to distribute the excess amount to the shareholders in years in which the company does not achieve any distributable profits.

**Article (261) - First Paragraph**

A limited liability company is a company consisting of a number of persons, and each partner is only responsible to the extent of his share in the capital. It may be owned by one natural or legal person.

**Article (268)**

The company's manager, or whomever the partners delegate, shall register the company in the Commercial Registry and shall publish it in the website of the ministry concerned with commercial affairs. The company shall not acquire a corporate entity before registering it, and it shall not undertake its activities before registration. Any act undertaken for the company before registration shall only bind the person who undertakes it, and he shall be liable for it to the extent of all his property. If more than one person undertakes the act, they shall be jointly liable for it.

**Article (269) -First Paragraph**

The capital of a limited liability company shall be divided into equal shares.



**Article (271)**

The assignment of a share shall be effective towards the partners and third parties as of the date of the registration thereof in the Commercial Registry and the publication thereof in the website of the ministry concerned with commercial affairs.

**Article (272)**

The share of a partner shall devolve to his heirs or legatees in a will.

**Article (285) - Paragraph (a)**

- a) The company's Memorandum of Association shall not be amended, nor its capital be increased or reduced without a resolution by the company's general assembly to be passed by the numerical majority of the partners who own three fourths of the capital unless the company's Memorandum of Association provides for a higher percentage. However, the partners' obligations shall not be increased without their unanimous approval.

**Article Two**

New articles shall be added to the Commercial Companies Law promulgated by Decree Law No. (21) of 2001, in numbers (127 bis), (127 bis 1), (174), (216 bis), (236 bis 1) and (239 bis), (319 bis), (319 bis 1), and (362 bis 1), as well as a paragraph added to Article (204), a new paragraph (c) to Article (312), and a new paragraph (m) to Article (362), the following are their texts:

**Article No. (127 – bis)**

Subject to the provisions and regulations issued by the Central Bank of Bahrain, the company may resolve, according to a resolution passed by the shareholders in the extraordinary general assembly to increase its capital, provided that the increase is allocated for the purpose of admitting a strategic partner who has the ability to provide technical, operational or marketing support to the company, notwithstanding any conditions and regulations determined by a decision from the Minister concerned with commercial affairs after coordinating the same with the Central Bank of Bahrain.

The invitation for the extraordinary general assembly meeting must include a detailed study illustrating the justifications for the capital increase, the feasibility of admitting the proposed

strategic partner, the effect of his entry on the ownership percentages on the company's shareholders and the expected benefits as a result.

All arrangements related to the admission of the strategic partner must be executed within a maximum period of six months from issuing the resolution of the extraordinary general assembly to approve his admission as a strategic partner, otherwise the decision shall be deemed as non-existent.

**Article No. (127 – bis 1)**

The company may resolve, according to a resolution passed by the shareholders at the extraordinary general assembly to increase its capital by converting specific cash debts into shares in its share capital which shall be issued to the creditors upon their approval, notwithstanding any terms and conditions specified by a decision issued by the Minister concerned with commercial affairs after coordinating the same with the Central Bank of Bahrain.

The invitation for the extraordinary general assembly meeting must include a detailed study illustrating the feasibility and necessity of converting cash debts into shares in the company in favor of the creditors, in addition to the effect of the transfer on the ownership percentages of the company's shareholders.

**Article (174)**

The company must make the following information about every candidate standing for board elections, available on its website or send it to each of the shareholders separately by any approved means, starting from the date of dispatching the invitations for the general assembly meeting:

1. Curriculum vitae, including academic and professional qualifications.
2. Any act performed by the candidate directly or indirectly that is competitive with the company.
3. Names of companies and entities in which he conducts business in or is a member of their boards of directors.
4. Any position he occupies which requires an excessive amount of time.
5. Any other information specified by the implementing regulations.

The company is required to send all information to the company's shareholders in any way it deems appropriate, and to publish this information on all social media accounts of the company, if any.

The company shall also include the information related to the chairman and members of the board of directors in its annual report and on its website.

**Article (216 – bis)**

- a) The company may have one or more programs to motivate its employees by enabling them to own shares in it and the company must disclose to the employees the full details of the program, including the terms of their entitlement to owning those shares.
- b) The Central Bank of Bahrain may issue any decisions as it deems appropriate to regulate the mechanism of the employee incentive schemes for listed joint stock companies or companies licensed by it, and the minister concerned with commercial affairs may issue regulatory decisions with respect to other companies.

**Article (236 – bis 1)**

The ownership of the company shall be in accordance with the terms and conditions specified by the implementing regulations, without prejudice to the rules and regulations issued by the Central Bank of Bahrain with respect to companies licensed by it.

**Article (239 – bis)**

Notwithstanding the provisions of Article (138) of this Law, a closed joint stock company may, after obtaining the approval of the extraordinary general assembly, borrow in order to increase its share capital by issuing debt bonds convertible into shares in the company, while taking into consideration the provisions of the company's Articles of Association. These bonds shall be named “convertible debt bonds” and their issuance and conversion into shares shall be in accordance with the provisions of the Central Bank of Bahrain and Financial Institutions Law promulgated by Law No. (64) of 2006 and its Implementing Regulations for the companies licensed by it. The Minister concerned with commercial affairs shall issue the regulations and policies to be followed in the issuance of convertible debt bonds for the other companies.

In case of the company's liquidation or bankruptcy before converting its debt bonds to shares, the right of the bond holder to recover the amount of the debt and any interest resulting thereof shall take precedence over the rights of the shareholders in the company.

**Article (319 bis)**

The acquisition of shares or any act that leads to the acquisition of shares or securities convertible into shares in the share capital of a listed joint stock company, by a person or a group of associated persons or third parties shall be in accordance with the provisions and decisions regulating the rules, conditions and procedures of the acquisitions which shall be specified by a decision from the Central Bank of Bahrain.

**Article (319 bis 1)**

Taking into consideration the provisions of the Central Bank of Bahrain and Financial Institutions Law promulgated by Law No. (64) of 2006, and its Implementing Regulations:

- a) The acquiring entity that obtained by a virtue of an offer, a percentage of approval equivalent to 90% or more of the shares in the share capital of the listed joint stock company is entitled to acquire all shares owned by shareholders at a percentage of 100%, and the remaining shareholders shall sell their shares to the acquiring entity within a period not exceeding three months from the date that the acquiring entity obtained the approval percentage.
- b) Any shareholder that does not accept the acquisition offer presented by the acquiring entity that obtained an acceptance percentage equivalent to 90% or more of the shares in the share capital of the listed joint stock company may submit a request to the acquiring entity, to oblige it to submit an acquisition offer to purchase his shares within a period not exceeding three months from the date of receiving the request.

Any shareholder that does not accept the acquiring entity's offer to sell his shares shall have the right to resort to the competent court within 60 days from the date which the acquisition offer is made by the acquisition party to buy his shares in writing, and the acquisition procedures shall not be suspended without a court decision, otherwise the acquisition process shall be settled.

**Article (362 bis 1)**

The minister concerned with commercial affairs or any other person delegated by him, before referring the offender to criminal trial, may decide to reconcile the crimes stipulated in paragraphs (b), (f), (g), (h) and (j) of Article (362) of this Law, by settling the reconciliation amounts determined by a decision of the minister concerned with commercial affairs.

After confronting the offender with the violation, the person writing down the report shall offer him reconciliation and record this in the report, and the offender that chooses to reconcile must pay the amount determined to the ministry concerned with commercial affairs within seven working days from the date of presenting the reconciliation proposal to him, all in accordance with the regulations and procedures specified by a decision issued by the minister of commercial affairs. The criminal case and all its effects shall be terminated upon the settlement of the reconciliation amount in full.

**Article (204) - Second Paragraph**

The company's Articles of Association may provide for the adoption of the electronic voting system, taking into consideration the conditions and regulations specified by a decision issued by the minister concerned with commercial affairs.

**Article (312) Paragraph (c)**

- c) In the event of a merger of a listed joint stock company or companies licensed by the Central Bank of Bahrain, the provisions stipulated in the Central Bank of Bahrain and Financial Institutions Law promulgated by Law No. (64) of 2006, its rules and implementing regulations should be taken into account.

**Article (362) - Paragraph (m)**

- m) Every partner or manager who has violated the provisions of any of the two articles (304 bis 1) and (304 bis 2).

### **Article Three**

A new chapter, Chapter 9 bis under the title "a Non-Profit Company" shall be added to the Commercial Companies Law promulgated by Decree-Law No. (21) of 2001, which includes the following articles:

#### **Article (304 bis)**

A non-profit company is the company that does not mainly seek to achieve profits. The profits are used to achieve its objectives for which it was established for and it shall take the form of a limited liability company. The name of the company must be followed by the phrase (a non-profit company) or (NPC).

#### **Article (304 bis 1)**

The company may carry out any commercial activity that enables it to achieve its objectives stipulated in its Memorandum of Association, and it is prohibited from using the profits for other than these objectives.

The company may not distribute any profits directly or indirectly to its partners.

#### **Article (304 bis 2)**

The company shall not be liquidated voluntary unless the approval of the ministry concerned with commercial affairs.

- b) The funds of the company shall devolved to the non-profit-making entities specified in its Memorandum of Association, and if the Memorandum does not specify the non-profit entities to which the funds of the company will devolve, the funds shall be devolved by a decision of the minister concerned with commercial affairs to a non-profit party that practices similar purposes to those specified for the funds. In all cases, the company may not transfer any funds to any party without prior approval of the ministry concerned with commercial affairs after coordinating with the concerned authorities, and provided that these funds shall not be transferred outside the Kingdom of Bahrain.

The non-profit organization to which the funds have devolved is obligated to use it for the objectives specified for it.

**Article (304 bis 3)**

Any company may convert to a non-profit company, and a non-profit company may not convert to another form of company.

**Article (304 bis 4)**

The implementing regulations shall stipulate the other conditions for establishing non-profit companies, their purposes, regulations of their businesses, management and liquidation, and the conditions that are required to be met by the managers.

**Article (304 bis 5)**

Unless otherwise stipulated in this chapter, the provisions governing the limited liability company shall apply to the non-profit company.

**Article Four**

Chapter Eight of the Commercial Companies Law promulgated by Decree Law No. (21) of 2001 shall be nullified. Paragraph (b) of Article (23 bis) and Sub-Paragraph (c) of Article (299) of the same law shall be nullified. Any text that contradicts the provisions of this law shall be nullified.

**Article Five**

Each Single Person Company established before the provisions of this law came into effect shall be deemed a limited liability company, and it shall amend its positions in accordance with its provisions within six months from the date of its enforcement.

**Article Six**

The Prime Minister and Ministers - each according to his jurisdiction - shall implement the provisions of this law, and it shall come into effect on the following day of the date of its publication in the Official Gazette.