**Disclaimer: The official version of the law and any amendments thereto is published in Arabic in the Official Gazette. This version of the law, including amendments thereto, is provided for guidance and easy reference purposes. The Legislation & Legal Opinion Commission does not accept any liability for any discrepancy between this version and the official version as published in the Official Gazette and / or any inaccuracy or errors in the translation.**

**For any corrections, remarks, or suggestions, kindly contact us on translate@lloc.gov.bh**

**Published on the website on May 2024**

**Legislative Decree No. (28) of 2020 amending certain Provisions of the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001**

We, Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain.

Having reviewed the Constitution, and in particular Article (38),

Law of Associations, Social and Cultural Clubs, Private Bodies Working in the Field of Youth and Sports and Private Institutions promulgated by the Legislative Decree No. (21) of 1989, as amended;

Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001, as amended;

And Central Bank of Bahrain and Financial Institutions Law, ، promulgated by Law No. (64) of 2006, as amended;

Upon proposal by the First Deputy Prime Minister,

And after the approval of the Council of Ministers;

**Hereby Decree the following Law**

**Article One**

The texts of Articles (1) the second paragraph, (2) paragraph (a), (18 bis) paragraph (a), (30), (44) paragraph (a), (45) paragraph (a), (53) first paragraph, (111), (126), (128) paragraph (a), (131), (168) paragraph (f), (183), (184 bis) paragraph (a), (187) paragraph (b), (188), (189) paragraph (d), (199) paragraph (a), (201), (212) paragraph two, (215) paragraph (b), (215 bis) paragraph (c), (224) paragraph three, (261) paragraph one, (268), (269) paragraph one, (271), (272), (285) paragraph (a) of the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001, shall be replaced with the following texts:

**Article (1) Paragraph Two:**

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- Joint Venture Company.

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 director, 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 them in the Commercial Register in conformity with the Law of this Register. A summary of the company’s Memorandum of Association and subsequent amendments thereto shall be published on the website of the Ministry concerned with trade 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 Director is a partner appointed in the company's founding contract, he shall not resign his administration for unacceptable reasons, otherwise, he shall be liable to pay compensation.

**Article (53) Paragraph One:**

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

**Article (111):**

The Statute of Association of the company may provided for that the company may have preference shares in addition to ordinary shares, for which some rights and privileges are decided in respect of voting, profits, or other rights and privileges. The company’s Memorandum of Association may provide for that the company may have several types of classifications of preference shares, provided that these shares from the same type of classifications shall be equal in respect of rights and privileges. The privileges or rights pertaining to preference shares or any of their 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 promulgated 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 to the new preference shares within the same class.

Preference shares shall be promulgated 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 promulgated in implementation of its provisions for listed joint stock companies or companies licensed by it. The Minister concerned with commercial affairs shall promulgate the regulations and requirements for the promulgation of preference shares to other companies.

**Article (126):**

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

a- Promulgating new shares for the amount of the increase.

b- Converting the loan bonds promulgated by the company into shares.

c- Converting the company's debt into shares in favour 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 Company to pay the difference, which shall instead be paid from the reserve, and the shares shall be marked with their new value.

2- Promulgating new shares for the amount of the increase and distributing these shares free of charge to the company shareholders in proportion to the original shares held by each of them.

**Article (128) Paragraph (a):**

a- The shareholders shall have the 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 for any of the following:

1- Shares promulgated by the company for the purposes of employee incentive schemes.

2- Shares promulgated by the company to admit a strategic partner in accordance with the provisions of Article (127 bis) of this Law.

3- Shares promulgated by the company against debt in accordance with the provisions of Article (127 bis 1) of this Law.

**Article (131):**

The promulgated decision on the capital increase shall be published on the website of the Ministry responsible for commercial affairs after the increase is registered in the Commercial Register.

**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 promulgated by the Central Bank of Bahrain with regards to listed joint stock companies or companies licensed by them, and promulgated 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 president and represents it before third parties, and his signature is considered the signature of the Board of Directors before third parties. He shall implement the board's 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 of the Board.

However, the company's Statute 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 president of the Board.

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

a- An audit committee shall be formed by the Board of Directors and consist fully of its members by a decision promulgated by the Board of Directors to review the Company's accounting and financial practices, accounting audits and matters related to them, and adherence to the provisions of the Law and the company's regulations and policies. The Corporate Governance and Management Charter defines the controls for forming the audit committee, its terms of reference, its work system, and the remuneration of its members.

**Article (187) Paragraph (b):**

b- Each shareholder may bring the lawsuit 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 direct harm to him as a shareholder after he notifies the company by a registered letter with acknowledgement of its receipt at least thirteen days prior to filing the lawsuit. Any provision mentioned in the company's Statute that stipulates otherwise shall be deemed null. The shareholder may request during the hearing of the lawsuit to oblige the defendant or a third party to provide any documentation relevant to the subject matter without the need to specify each document separately.

**Article (188):**

The company's Statute shall specify the manner of determining the remuneration of the Chairman and members of the Board of Directors, 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 president and members of the Board of Directors in the years in which the company has not achieved profits or in the years in which no dividends are paid to the shareholders, provided that the Minister concerned with commercial affairs approves such payment. The Board of Directors’ report to the general assembly shall include a comprehensive account of all payments that the president and members of the Board of Directors obtained, each separately, during the financial year, including salaries, profit shares, representation allowances, attendance allowances, expenses, and the like. The report shall also include an account of the amounts paid to the members of the Board of Directors in their capacities as employees and administrators and what they have received for technical, administrative, consulting, 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 in 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 from representing 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- A- The invitation to shareholders to convene the General Assembly shall be announced in at least two local daily newspapers, one of which is promulgated in Arabic and the other in English, at least twenty-one days before the date set for the meeting. The announcement should include the agenda, be detailed, and include the necessary information as determined by the Implementing Regulations.

**Article (201):**

The President of the board of directors, 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 on the same agenda within seven to fifteen 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 at least 30% of the capital. The third meeting shall be valid no matter how many attendees there are.It is not permissible to send a new invitation for the last two meetings if the dates have been specified in the invitation for the first meeting, provided that the announcement after one of these two meetings has not been made in at least two local newspapers, one of which is promulgated in Arabic and the other in English.

**Article (212) Paragraph Two:**

It is not permissible to send a new invitation to the last two meetings if the dates have been specified in the invitation to the first meeting, provided that it is published in at least two local daily newspapers, one of which is promulgated in Arabic and the other in English, that none of these tow meetings would be 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 documentation or parts thereof in his possession without the need to specify each document separately.

**Article (215 bis) Paragraph (c):**

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

**Article (224) Paragraph Three:**

Taking into consideration the rules promulgated by the Central Bank of Bahrain, the statutory reserve can be used to increase the company's share capital or to cover losses that caused a deficiency in its share capital. If this reserve exceeds 50% of the promulgated 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) Paragraph One:**

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 Register and publish it on 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) Paragraph One:**

The capital of the limited liability company is 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 Register and the publication thereof on 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 increased or reduced without a decision by the company’s general assembly to be promulgated 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 Legislative Decree 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 (127 bis):**

Subject to the provisions and regulations promulgated by the Central Bank of Bahrain, the company may resolve, according to a decision promulgated 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 shall 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 of the company's shareholders, and the expected benefits as a result.

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

**Article (127 bis 1):**

The company may resolve, according to a decision promulgated 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 promulgated to the creditors upon their approval, notwithstanding any terms and conditions specified by a decision promulgated 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 shall include a detailed study illustrating the feasibility and necessity of converting cash debts into shares in the company in favour of the creditors, in addition to the effect of the transfer on the ownership percentages of the company's shareholders.

**Article (174):**

The company shall make the following information regarding 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 or is a member of their boards of directors.

4- Any position he occupies that 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 information related to the president 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 programmes to motivate its employees by enabling them to own shares in it, and the company shall disclose to the employees the full details of the programme, including the terms of their entitlement to owning those shares.

b- The Central Bank of Bahrain may promulgate 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 promulgate 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 promulgated by the Central Bank of Bahrain with respect to companies licensed by it.

**Article (239 bis):**

Without prejudice to 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 promulgation 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 promulgate the regulations and policies to be followed in the promulgation of convertible debt bonds for the other companies.

In the event of the company's liquidation or bankruptcy before converting its debt bonds to shares in the company, the right of the bondholder to recover the amount of the debt and the resulting interest takes precedence over the rights of the company's shareholders.

**Article (319 bis):**

The acquisition of shares or the carrying out of any act leading to the acquisition of shares or convertible securities in the share capital of a listed joint stock company by a person or group of persons or connected persons is subject to the provisions and decisions regulating the rules, conditions, and procedures for acquisition operations, as determined by a resolution promulgated by the Central Bank of Bahrain.

**Article (319 bis 1):**

Taking into account 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 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 company's capital of the listed joint stock company may be submitted 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.

A shareholder who did not accept the acquiring entity's offer to sell his shares has the right to resort to the competent court within 60 days from the date of submitting the acquisition offer by the acquiring party to buy his shares in writing, and the acquisition procedures may not be suspended without a court decision, otherwise, the acquisition 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 provided for 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 shall 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 promulgated by the Minister of Commercial Affairs. The Criminal Lawsuit and all its effects shall be terminated upon the settlement of the reconciliation amount in full.

**Article (204) Paragraph Two:**

The statutes of the company may provide for the adoption of an electronic voting system, subject to the conditions and rules specified by a decision promulgated by the Minister responsible for commerce.

**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 provided for in the Central Bank of Bahrain and Financial Institutions Law promulgated by Law No. (64) of 2006 and the regulations and rules promulgated in implementing its provisions.

**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 Part, Part Nine bis, under the title (Non-Profit Company), shall be added to the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001, which includes the following Articles:

**Article (304 bis):**

A non-profit company is one that does not primarily seek to achieve profits. The profits are used to achieve the objectives for which it was established, and it shall take the form of a limited liability company. The name of the company shall 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 provided for in its Memorandum of Association, and it is prohibited from using the profits for anything 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 voluntarily unless with the approval of the Ministry concerned with Commercial Affairs.

b- The funds of the company shall be 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, provided that these funds shall not be transferred outside the Kingdom of Bahrain.

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

**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, the 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 part, the provisions governing the limited liability company shall apply to the non-profit company.

**Article Four**

Part Eight of the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001 shall be nullified. Paragraph (b) of Article (23 bis) and Clause (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.

**King of the Kingdom of Bahrain**

**Hamad Bin Isa Al Khalifa**

**First Deputy Prime Minister**

**Salman bin Hamad Al Khalifa**

Promulgated in Riffa Palace:

On: 11 Safar 1442 A.H.

Corresponding to: 28 September 2020