

TRANSLATION

LAW NO. (50) OF 2014
AMENDING CERTAIN PROVISIONS OF THE
COMMERCIAL COMPANIES' LAW
PROMULGATED BY LEGISLATIVE DECREE NO. (21) OF 2001

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

And Legislative Decree No. (21) of the year 2001 promulgating the
Commercial Companies Law,

And Law No. (64) of the year 2006 promulgating the Central Bank of
Bahrain and Financial Institutions Law,

The Shura Council and the Council of Representatives have approved the
Law above-mentioned, and we hereby ratify and promulgate it:

First Article

The provisions of Articles (55), (65), (75- Paragraph D), (84), (109), (119),
(173- Paragraph One- C), (175- Paragraph One), (187- Paragraph A),
(197), (203) (228), (234), (249- Paragraph E), (264), (290), (293), (347)
and (348) of the Commercial Companies Law promulgated by Legislative
Decree No. (21) of the year 2001, shall be replaced with the following
provisions:

Article (55)

The names of joint partners and sleeping partners shall be stated in the
company's memorandum of association.

Article (65)

Bahraini public shareholding companies may be established with the
participation of foreign capital or expertise.



And- Subject to an order by the Minister concerned with trade affairs, the percentages of participation of foreign capital or expertise in certain sectors or activities may be specified.

Article (75 – Paragraph D)

D- The names of the promoters, provided that their number shall not be less than two, except for companies incorporated exclusively by the government.

Article (84)

Notwithstanding the provisions of the Central Bank of Bahrain and Financial Institutions Law, promulgated by Law No. (64) of the year 2006, and its Implementing Regulations, the promoters shall subscribe for shares representing at least 10% of the company's capital, and shall pay - before the publication of the subscription prospectus -, the amount equivalent to the percentage required to be paid by the public for each share on subscription.

Article (109)

Notwithstanding the provisions of Article 21 (bis), of this Law, the company's capital shall be specified by the promoters, and shall be adequate to realize its objectives.

And such capital shall be specified in the Bahraini currency. However, subject to the Minister concerned with trade affairs, the company's capital may be specified in another currency denominated in the Bahraini currency.

The capital shall be divided into equal shares, and the Implementing Regulations shall specify the nominal value of the share.

Article (119)

Trading in shares, registering and depositing them, transfer of the title thereto, making a set-off involving them, settling them, registering



mortgages thereon and distraining them, as well as the company's purchase of its own shares, shall be in pursuance of the Central Bank of Bahrain and Financial Institutions Law, promulgated by Law No. (64) of the year 2006, and its Implementing Regulations.

Article (173- 1st, Paragraph C)

C- Any other conditions which may be specified in the company's Memorandum or Articles of Association.

Article (175- 1st, Paragraph)

Any person, who owns ten percent (10%) or more of the capital, may appoint members on the board of directors for the same percentage of the capital he owns, by rounding the digits of the number to the nearest round figure. If he exercises this right, he shall lose his right to voting for the percentage for which he appointed a proxy. Each person who has not exercised his right to appoint members on the board of directors, or who does not own a percentage qualifying him to appoint another member, may use this percentage in voting. His right to appoint members shall be forfeited in case he does not exercise it in any election or to appoint members on the board of directors, in each case separately, all unless it is provided otherwise in the company's Memorandum or Articles of Association.

Article (187- Paragraph A)

A- It shall be the right of the company to file an action of liability against the members of the board of directors due to wrongdoing causing damages to the shareholders. A resolution must be passed by the general assembly instituting legal action, which shall be handled by the chairman of the board of directors. If the chairman is among those litigated by the company, the general assembly shall appoint another member from the board to prosecute the case. If the case is instituted against all members of the board, the general assembly shall appoint a person from non-members to



represent it in instituting the case. The shareholder may, in case the company does not institute legal action against the members of the board of directors, file an action singly for any damages he may have sustained due to such wrongdoing. The shareholder should notify the company of such wrongdoing at least thirty (30) days before filing the legal action.

Article (197)

Without prejudice to the provisions of the Central Bank of Bahrain and Financial Institutions Law, promulgated by Law No. (64) of the year 2006, and its Implementing Regulations, the Minister concerned with trade affairs may dissolve the board of directors of the company, for a justifiable cause, in any of the following cases:

- a) if the company has fallen on hard times or has been mismanaged, or if it has sustained heavy losses prejudicing the rights of shareholders or its creditors;
- b) if gross violations of the provisions of this Law have been committed. However, what is mentioned in the two preceding cases must be evidenced in a report to be prepared by whoever may be delegated by the Minister to inspect the business activities and the accounts of the company in accordance with this Law;
- c) if the board of directors has lost its quorum rendering it impossible to convene, or if the general assembly is unable to elect a new board of directors.

In all cases, the order dissolving the company's board of directors shall include appointing an ad-hoc committee from among those who have experience and expertise to manage the company for not more than a six months' term, and shall include specifying a date for convening the general assembly in order to elect a new board of directors.

Every interested party may object to the dissolution order, within fifteen (15) days from the date of its issue, before the High Civil Court, and the Court shall resolve the case on an urgent basis.



Article (203)

Each shareholder, regardless of the number of the shares he holds, shall have the right to attend the general assembly, and he shall have a number of votes equal to the number of shares he holds in the company. Any provision or resolution to the contrary shall be null and void.

A shareholder may delegate a person from among the shareholders or from non-shareholders to attend the general assembly on his behalf, provided that the proxy shall not be the chairman or from among the members of the board of directors or from among the Company's employees. However, this shall not prejudice the right to appoint a proxy from relatives to the first degree of relationship. This shall be by virtue of a special power of attorney evidenced in writing designated for this purpose by the company.

Persons lacking capacity or under legal incapacity shall be represented by their legal representatives. The company shall prepare special cards for the number of shares a shareholder holds and for the shares he represents on behalf of other shareholders. Proxies and the capacity of the delegation with the company must be made before at least twenty four (24) hours before the meeting. No member may vote for himself or on behalf of whoever he represents on issues in which he has personal interest or on a dispute existing between him and the company.

Article (228)

Notwithstanding the provisions of Article 21 (bis), of this Law, the company's capital shall be specified by the promoters, and shall be adequate to realize its objectives

Article (234)

Shares of closed shareholding companies may not become negotiable except after payment of the full value of the shares. Excluded from this shall be negotiation of shares effected among promoters.

Article (249- Paragraph E)



- e) Notwithstanding the provisions of Article 21 (bis), of this Law, the company's capital shall be specified by the promoters, and shall be adequate to realize its objectives

Article (264)

Notwithstanding the provisions of Article 21 (bis), of this Law, the company's capital shall be specified by the promoters, and shall be adequate to realize its objectives. The capital shall be divided into equal shares.

Article (290)

The single person company shall have Articles of Association the provisions, details, procedures and promulgation of which shall be contained in an order issued by the Minister concerned with trade affairs.

Article (293)

Notwithstanding the provisions of Article 21 (bis), of this Law, the company's capital shall be specified by the promoters, and shall be adequate to realize its objectives, and shall be paid in full. The capital may include in-kind shares the value of which shall be estimated by one of the specialist experts.

Article (347)

- a) companies incorporated outside Bahrain may set up branches, agencies or offices in Bahrain under the following conditions:
 - 1- The foreign company must obtain a prior license from the Ministry concerned with trade affairs to set up the branch, agency or office.
 - 2- The branch, agency or office shall be registered with the Commercial Registry in accordance with the provisions of the Law.



- 3- Any other conditions which may be laid down in an order issued by the Minister concerned with trade affairs.
- b) If the branch, agency or office undertakes business activities before the completion of the procedures provided for in the Paragraph (a) of this Article, the persons who have undertaken these businesses shall be personally and jointly liable therefor.

Article (348)

- a) The branch, agent or office must provide a security from the head office to ensure performance of its obligations. The Minister concerned with trade affairs may specify, in an order issued by him, one additional security or more to the branch, agent or office.
- b) The branch, agent or office shall deposit with the Ministry concerned with trade affairs a copy of the Memorandum of Association of the head office and every amendments made thereto. It shall also deposit a copy of the audited financial statements of the head office within six months from the expiry of the financial year.

Second Article

New articles shall be added to the Commercial Companies Law, promulgated by Legislative Decree No. 21 of the year 2001, carrying the following numbers: 5 (bis), 18 (bis), 21 (bis) 23 (bis) 358 (bis) and 358 (bis 1). In Addition, a new paragraph shall be added to Article 361 of the same law, which will carry the number (J). Following are the texts of the new added articles:

Article (5 bis)

Any person may apply with the Ministry concerned with trade affairs to reserve a certain name to use it when setting up a company in accordance



with the provisions of this Law. Reservation shall be for thirty days which may be renewed two equivalent times in accordance with the procedures, conditions and situations specified in an order by the Minister concerned with trade affairs.

A fee shall be chargeable on the reservation application and another fee on the application to renew the reservation, which fees shall be specified in a resolution issued by the minister concerned with trade affairs, subject to the Council of Ministers' approval.

Article (18 bis)

- a) The promoter, partner, capital owner, the company's manager or the member of the board of directors in the shareholding company, closed shareholding company, limited liability company or single person company, as the case 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:
1. If he has provided false or untrue particulars about the company's capital in its Memorandum or Articles of Association or in its dealing with third parties, or in any of its documents, which would prejudice financial confidence in the company.
 2. If he uses the company for fraudulent or illegitimate purposes.
 3. If he treats the company's funds as his own personal funds.
 4. If he does not separate his personal interest from the company's interest.
 5. If he causes incurring obligations by the company despite the fact that he certainly or purportedly knows that the company is not able to perform such obligations on their maturity, or if such obligations have been incurred due to his gross negligence or wrongdoing.



6. If he causes the company's inability to pay the taxes and fees due to government or to public entities or organizations, and he knows certainly or purportedly this, or if the company's inability to pay such taxes and fees is due to his gross negligence or wrongdoing.
 7. If he violates the provisions of the Law or the company's Memorandum or Articles of Association.
- b) Liability shall not be precluded if the violation has been committed as a result of a resolution adopted during the meeting of the board of directors, the constituent assembly or general assembly, unless he opposed the resolution that gave rise to the liability and recorded his objection in the minutes of the meeting. The absence of a member from the meeting in which the resolution was passed shall not be a reason for exemption from liability, unless he proves his lack of knowledge of the resolution or that he had knowledge of it but was unable to object to it.
 - c) The liability referred to in Paragraph (a) of this article shall either be personal relating to the promoter, partner, capital owner, manager or member of the board of directors, or joint in case of severalty of those who committed the violation.

Article 21 (bis)

- a) The Minister concerned with trade affairs may issue an order specifying a minimum capital for any type of the companies established in accordance with the provisions of this Law.
- b) The Minister concerned with trade affairs may issue an order specifying a minimum capital for companies conducting business in certain sectors or economic activities, after consulting with the authority concerned with supervision over such economic sector or activity.



Article 23 (bis)

- a) It may be provided in the company's Memorandum or Articles of Association that any of the prescribed meetings in accordance with the provisions of this Law may be convened using any of the electronic or telephonic means of communication, provided that measures should be taken which ensure the following:
 - 1. Verifying the identity of the participant in the meeting and the validity of any power of attorney on the basis of which the proxy is participating.
 - 2. Enabling the partner or the shareholder to participate fully in the meeting, as if he was present at the venue of the meeting. This shall include knowledge of everything discussed during the meeting and expressing opinion and participating in deliberations.
 - 3. Duly recording any statement or voting by the participant in the meeting.
 - 4. Any other measures which may be specified in an order by the Minister concerned with trade affairs.
- b) The provisions of Paragraph (a) of this Article shall not apply to the meetings of the general assemblies of public shareholding companies or to the voting proceedings conducted secretly in accordance with the Law.
- c)

Article 358 (bis)

The Ministry concerned with trade affairs may maintain the originals of any documents or papers deposited with it or the particulars, information or records related to its business in an electronic form.

Article 358 (bis 1)

- a) A charter for corporate management and governance shall be issued, by an order of the Minister concerned with trade affairs, in



accordance with the best internationally recognized management and governance principles.

- b) The corporate management and governance of companies shall apply to all commercial companies governed by the provisions of this Law, save for shareholding companies which are governed by governance principles issued by the Central Bank of Bahrain.

Article (361- Paragraph J)

- j) Every person to whom any of the cases provided for under Paragraph (a) of Article 18 (bis) of this Law applies.

Third Article

The phrase “the Minister concerned with trade affairs” shall replace the phrase “Minister of Commerce and Industry,” the phrase “the Ministry concerned with trade affairs” shall replace the phrase “Ministry of Commerce and Industry,” and the phrase “fifteen working days” shall replace the phrase “sixty days” wherever they occur in the provisions of the Commercial Companies Law promulgated by Legislative Decree No. 21 of the year 2001.

Fourth Article

Articles (64), (120), (121), (122), (123), (124), (174), (177), (245) and (345) of the Commercial Companies Law promulgated by Legislative Decree No. 21 of the year 2001 shall be repealed.

Fifth Article

The Chairman of the Council of Ministers and the Ministers, each in his respective capacity, shall implement the provisions of this Law, which shall come into effect on the following day of the date of its publication in the Official Gazette.



(Signed)

Hamad Bin Isa Al Khalifa

The King of the Kingdom of Bahrain

Issued: at Riffa Palace

On 16 Dhi Al Qi'dah 1435 H

Corresponding to: 11 September 2014



True translation of the
attached Arabic text -

Sign:

Nabil A. Affouni