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**Ministry of Commerce and Industry**

**Decision No. (6) of 2002 promulgating the Implementing Regulation of the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001**

Minister of Industry and Commerce:

Having reviewed the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001, in particular Article Three of its articles of issuance;

And upon the submission of the Undersecretary of the Ministry of Industry and Commerce;

**Decides:**

**Article One**

The provisions of the Implementing Regulation of the Commercial Companies Law promulgated by Legislative Decree No (21) of 2001 attached to this Decision shall be implemented.

**Article Two**

The Undersecretary of the Ministry of Industry and Commerce shall implement the provisions of this Decision, and it shall come into force from the date of its publication in the Official Gazette.

**Minister of Industry and Commerce**

**Ali Saleh Al-Saleh**

**Issued on 28 Safar 1423 A.H.**

**Corresponding to 11 May 2002**

**Implementing Regulation of the Commercial Companies Law Promulgated by Legislative Decree No. (21) of 2001**

**Part One**

**General Provisions**

**Definitions**

**Article (1)**

In applying the provisions of this Regulation, the following words and expressions shall have the meanings assigned to them below unless the context requires otherwise:

**Minister:** The Minister of Industry and Commerce.

**Ministry:** Ministry of Industry and Commerce.

**Competent Directorate:** The Directorate of Commerce and Companies Affairs at the Ministry of Industry and Commerce.

**Law:** The Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001.

**Dinar:** Bahraini Dinar.

**Article (2)**

**Joint Liability and Limited Partnership Companies**

The forms of the memorandum of association of the joint-liability company, its articles of association, and the limited partnership company, shall be in the form in which a Decision shall be issued by the competent Minister pursuant to the provisions of Article (21) of the Law.

**Part Two**

**Public Joint Stock Company**

**Chapter One**

**General Provisions**

**Section One**

**Incorporation of a Public Joint Stock Company**

**Article (3)**

**Who Has the Right of Incorporation**

Any natural person who meets the necessary qualifications, as well as any legal entity whose purposes include the incorporation of such companies, may be a founding party in a joint stock company.

The number of incorporating partners shall not be less than seven, except for companies exclusively incorporated by the government or is a partner in their incorporation, under the provisions of Article (75 / D) of the Law.

**Article (4)**

**Founder**

The founder shall be every natural or legal person who has actively participated in the incorporation of the company with the intention of bearing the resulting responsibilities.

In particular, whoever provides an in rem share upon its incorporation or signs the primary memorandum of association or the licence request shall be deemed a founder.

**Article (5)**

**The Primary Memorandum of Association and Articles of Association**

The form of the primary memorandum of association of the joint-stock company and its articles of association shall be in the form in which a decision shall be issued by the Minister pursuant to the provisions of Article (21) of the Law.

The founders shall not omit the inclusion of data pertaining to the company’s name and headquarters; the purposes for which it was incorporated; the names of the founders, their nationalities, and domiciles; the company’s authorised, issued, and paid-up capital upon incorporation; the number of shares into which the capital is divided; the ranking of shares—if any preferred shares are found—and any restrictions on share trading; and any other data that the aforementioned form required their inclusion.

**Article (6)**

**Formal Conditions of the Primary Memorandum of Association and Articles of Association**

The primary memorandum of association of the joint-stock company, as well as its articles of association shall be signed by the founders or their legal representatives.

The memorandum of association of the company and its articles of association – after approved by the Ministry– shall be notarised before the entity competent with notarisation, and returned to the Ministry to issue the decision of incorporation.

**Article (7)**

**Trade Name of the Company:**

Without prejudice to the provisions of Article (167) of the Law, the joint stock company shall have its own trade name derived from the purpose of its incorporation. The company shall not take the name of a natural person as its trade name, unless the purpose of the company is to invest in a patent legally registered under the name of such person or if the company acquires, upon its incorporation – or thereafter – a commercial institution and adopts its name as its own.

The company shall not adopt for itself a name identical or similar to the name of another existing company, or a name that would create confusion about its type or nature.

The name of the company – wherever mentioned – shall follow the phrase (Bahraini Joint Stock Company – B.S.C.).

**Estimating In Rem Stakes “Material or Intangible”**

**Article (8)**

If the formation of the company’s capital includes in rem shares upon incorporation or when the capital is increased, the founders or the Board of Directors, as the case may be, shall submit a request to the Ministry to form a committee with those of expertise and competence to verify the validity of the estimate of the in rem share.

The request shall be submitted to the competent directorate, accompanied by the following documents:

A. A statement of the in rem shares required to verify the validity of their estimation, whether material or intangible, the names of their providers, and the required value for each type.

B. A summary of the extent to which the company has benefited from these shares.

C. Netting contracts received during the five years preceding its submission, if any.

D. All mortgage and lien rights arising from it, if any.

E. An undertaking to pay the fees of the committee, as determined by the Ministry.

**Article (9)**

The formation of the committee competent to investigate the validity of the estimation of the in rem shares shall be issued by a decision from the Minister – or whoever he delegates – and the decision shall set a deadline for submitting the committee report, provided that it shall not exceed fifteen days from the date of the issuance of the decision forming the committee. It shall be permitted, upon a reasoned request by the committee, to extend this period for another period not exceeding fifteen more days.

The committee shall be formed from among the employees of the Ministry or others, according to the importance of the in rem stake.

**Article (10)**

If the committee’s estimation of the in rem shares is less than one tenth of the value for which they were provided, the founders shall, within ten working days from the date in which they receive the committee’s report, submit to the competent directorate what proves that the in rem share provider has paid the difference into cash to the company’s account, or that the founders agreed that the in rem share provider would provide another in rem share with the value of the difference. In this case, a statement of the new share and a summary of the extent to which the company benefited from it shall be attached. The accuracy of this estimation shall be verified by the committee mentioned in the previous Article, or the founders shall pay in cash the estimated value of the in rem shares into the company’s account if withdrawn by their provider, or shall reduce the capital by an equivalent amount to this shortfall.

**Article (11)**

The estimation of these shares shall only be final after it has been approved by the Constituent Assembly or by the partners who hold a majority of two-thirds of the aforementioned shares. The providers of these shares shall not have the right to vote regarding the acknowledgement of the estimation, even if they are shareholders or holders of cash shares.

**Article (12)**

The provisions stipulated in Articles (from 8 to 11) of this Regulation shall not apply if the in rem share is provided by all subscribers or partners, and their estimation of it shall be final without the need to make another, provided that if it is found that the estimated value exceeds the real value of the in rem share, they shall be jointly liable against third-parties for the difference between the two values.

**Section Two**

**Incorporation Procedures of a Joint Stock Company**

**Article (13)**

Incorporation requests for a joint stock company shall be submitted to the competent directorate, and the request shall be accompanied by a full statement of the company extracted from the primary memorandum of association and articles of association, stating the name of the representative of the founders in initiating the incorporation procedures, his profession, and the address to which incorporation letters shall be sent. The following documents shall be attached to the request:

A. A copy of the company’s primary memorandum of association and its draft articles of association, both signed by all the founders. The form issued by a decision of the Minister shall be followed in the making of these two documents.

B. If there are in rem shares, the request shall be accompanied by a statement of their estimation, in accordance with the provisions stipulated in Articles (from 8 to 11) of this Regulation.

C. If the name of the company is derived from the name of a natural person, the request shall be accompanied by proof that any of the intellectual property rights or patents that the company will invest are registered under the name of this person, or a proof indicating that they own a commercial institution that has adopted the name.

D. If the company bears the name of another company, the request shall be accompanied by proof that this other company is in a state of dissolution or liquidation and that it has approved the designation.

E. If the founders include a legal person, he shall submit, along with the request, a certified copy of his incorporation document, and what proves the approval of the competent authorities to participate in the incorporation.

F. Documents proving the status of the founders and their nationalities, when necessary.

G. Any additional data or documents required by the competent directorate.

**Article (14)**

A register shall be incorporated within the competent directorate to record incorporation requests for joint stock companies. The requests shall be recorded therein in consecutive numbers, in the following manner:

A. The consecutive number of the request.

B. Date and time of submitting the request.

C. The names of the founders, their nationalities, and domiciles.

D. The name of the company and its permanent or temporary headquarters.

E. Duration of the company (if any).

F. The amount of the company’s capital.

G. A statement of the value of the in rem shares (if any), and the actions taken regarding their estimation.

H. The name of the founders’ representative, along with indicating his profession and address.

I. A statement of other documents attached to the request.

J. The Minister’s decision in approval or rejection.

K. The date of the submission of the contract/memorandum of association, documented in case a decision is issued in approval.

L. The incorporation decision, its number, and the date of its issuance.

M. The date of publication of the incorporation decision in the Official Gazette.

N. Amendments to the company after incorporation.

O. Any other comments.

The competent directorate shall prepare a special file for each company, in which its incorporation documents shall be deposited, along with every amendment made to them. A specific form shall not be required for such file.

**Article (15)**

The competent directorate shall have the right to assign the founders’ representative to complete any data, submit any supporting documents, or request that he make any amendments to the company’s draft memorandum of association to be in accordance with the provisions of the Law, or to be in conformity with the form issued by a decision from the Minister.

**Article (16)**

The company’s incorporation request shall be submitted to the Minister accompanied by the opinion of the competent directorate, within seven working days from its fulfilment of the conditions and documents stipulated in the Law and this Regulation, or within fifteen days from the date of submitting the request, whichever period is earlier.

The Minister shall issue his decision on the request within thirty days from the date of its submission. In the event that the company’s incorporation request is approved, the aforementioned directorate shall notify the founders’ representative of this.

In case where the request is rejected, the directorate shall notify the applicant of the rejection decision - which shall be reasoned - by a registered letter with an acknowledgement of receipt.

**Article (17)**

In case where the incorporation decision is issued, it shall be published in the Official Gazette at the expense of the company, and a copy of it shall be communicated to the founders.

A joint stock company shall acquire legal personality starting from the date of publication of the company’s incorporation decision in the Official Gazette.

The issuance of the incorporation decision shall be considered a ratification of its memorandum of association, articles of association, and the data contained in the company’s - request for licence - incorporation request.

**Section Three**

**‎Subscription for Shares**

**Article (18)**

**Subscription Definition**

Shares shall be made available for public subscription when individuals other than those predetermined are invited to subscribe to these shares. The company shall be deemed a public subscription company when it offers shares for subscription as per the provisions of this Article, even if the shares offered for subscription are not fully covered/underwritten. In this case, the value of the unsubscribed shares shall be covered/underwritten by the underwriters - if present - and, in all cases, the following conditions shall be required for the validity of the subscription:

A. To be complete, by covering/underwriting all the shares of the company representing the capital offered for subscription.

B. It shall be immediately effective, not suspended by a condition, and instantly without being added to a term. If the subscription is conditional, the condition’s validity shall be nullified, and the subscription shall remain valid, and the subscriber shall be obligated to it. If the subscription is added to a term, the term shall become void, and the subscription shall be immediate.

C. Shall be serious, not formal.

D. Each subscriber shall pay at least the instalments to be paid.

E. The shares representing the in rem share shall have their full value fulfilled.

**Article (19)**

After the publication of the incorporation decision of the company in the Official Gazette, the founders shall begin the share subscription process, provided that they shall subscribe to shares of no less than 10% and no more than 40% of the company’s capital, and provided that they shall pay

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- before the publication of the subscription statement - the amount equivalent to the percentage required to be paid by the public for each share upon subscription.

After the approval of the Council of Ministers, the founders may be licenced to subscribe to more than 40% of the company’s capital.

**Article (20)**

The founders shall prepare a statement inviting the public to subscribe for the company’s shares, and the statement shall include the following:

A. The company’s name and its legal form.

B. A summary of the company’s memorandum of association and articles of association, stating the purposes of the company, its headquarters, the duration of the company – if any –, the names of its founders, their domiciles, their nationalities, the amount of its capital, the value of the share, the amount due from this value, in rem shares, the amount of expenses, wages, and costs spent in incorporating the company.

C. The maximum number of shares a person can subscribe for.

D. The number of shares required to hold membership in the Board of Directors.

E. The date, place, and conditions of the subscription.

F. The date of issuing the company’s incorporation decision, and the date of its publication in the Official Gazette.

G. Underwriters, if any.

The subscription statement shall be signed by all founders or their legal representatives, and they shall be jointly responsible for the validity of the statements contained therein. This statement shall be approved by the competent directorate and the Bahrain Stock Exchange.

**Article (21)**

The subscription statement shall be submitted to the competent directorate accompanied by a certificate from the bank proving that the founders have subscribed to the shares of the company in accordance with the provisions of Article (84) of the Law, and that they have already paid into the company’s account at the bank the amount equivalent to the percentage required to be paid by the public for each share at the time of subscription, in accordance with the provisions of the articles of association. This shall be mentioned in the subscription statement, provided that the aforementioned certificate is accompanied by the subscription invitation statement stipulated in Article (20) of this Regulation. After this is completed, the Directorate of Commerce and Companies Affairs shall authorise the publication of this statement in one of the local daily newspapers, at the expense of the company, at least five days before the start of the subscription.

**Article (22)**

**Subscription Period:**

The subscription shall remain open for a period of no less than ten days and no more than three months from the date specified for the opening of the subscription.

The subscription shall not be closed - in case of over-subscription/coverage/underwriting during any period – until five days have elapsed from the publication of the subscription coverage/underwriting announcement, provided that the minimum subscription period has elapsed.

**Article (23)**

The subscription of the shareholder shall be by virtue of a document containing the following data:

A. Names of the founders, their professions, and domiciles.

B. The subscriber’s name, address, nationality, and elected domicile.

C. The name of the company whose shares are subscribed to, its legal form, purpose, and its term, if any.

D. His approval of the memorandum of association and articles of association.

E. The date of permission to publish the statement of invitation to subscription.

F. The number and type of shares to be subscribed for.

G. Bank or entity through which the subscription will be made.

After the subscriber or his representative signs the subscription document, he shall submit the document to the bank after paying the instalments to be paid, in return for a receipt signed by the bank indicating the name of the subscriber, his elected domicile, nationality, the date of subscription, the number of shares subscribed to, and the instalments paid.

Without prejudice to the provisions of Article (102) of the Law, the mere receipt of the mentioned receipt by the subscriber shall deem his subscription final, and the subscriber may not have the right to withdraw or revoke it.

**Article (24)**

Each Subscriber shall have the right to obtain a printed copy of the company’s memorandum of association and articles of association for an amount specified in the articles of association of the company.

**Article (25)**

**Amounts Paid for Subscription and When It May be Withdrawn:**

Without prejudice to the provisions of Article (102) of the Law, the amounts—instalments—paid by the shareholders under the control of the bank—the Authority—that undertook the offering of the subscription for the account of the company under incorporation, and shall only be delivered to the first Board of Directors after the surplus of the subscribed capital is returned immediately and once the shares are allocated in accordance with Article (26) of this Regulation.

**Article (26)**

**Distribution Method of Shares:**

If it appears after the subscription is closed that the subscription has exceeded the number of shares offered, they shall be distributed to the subscribers in the manner agreed upon between the founders and the subscribers, or in the manner determined by the company’s articles of association.

It shall be permissible for the Minister to decide the initial distribution of a quantity of shares among all subscribers, provided that this does not exceed 15% of the company’s capital. The distribution shall then take place as stipulated in the preceding paragraph.

If an agreement is not reached between the founders and the subscribers, or if the company’s articles of association do not specify the method of distribution among the subscribers, a number of shares shall be allocated to each subscriber based on the percentage of the offered shares to the shares subscribed to, ensuring that the subscriber in the company shall not be excluded regardless of the number of shares he has subscribed to. Fractional values shall be adjusted in favour of smaller subscribers. In this case, the subscriber shall submit the subscription document to the authority through which the subscription is made in order to prove the number of shares allocated to him and the excess amount he has paid. The remainder of the amount paid upon subscription shall be refunded to him.

**Section Four**

**Constituent Assembly**

**Article (27)**

**Convening of the Constituent Assembly**

The founders or their representative shall call the subscribers to convene in the form of a Constituent Assembly within twenty-one days from the date of closing the subscription.

The call notification shall include the name of the company, its type, the capital amount, the day and time of the meeting, its location, and the quorum specified for its validity, as well as the issues that are raised for discussion at the meeting.

The notification shall include the date on which the Assembly is convened for the second time if the specified quorum specified for its validity was not achieved in the first meeting, provided that the period between the two meetings shall not exceed twenty-one days from the date of the first meeting.

The meeting shall be announced in at least two daily newspapers, both issued in the Arabic language, provided that one of them is local. The announcement shall be made at least fifteen days prior to the date specified for the meeting, provided that a copy of the call documents shall be sent to the Ministry at least ten days prior to the date of the meeting of the Constituent Assembly.

**Article (28)**

**Right to Attend the Constituent Assembly**

Every subscriber shall have the right to attend the meeting of the Constituent Assembly regardless of the number of his shares, and it shall not be permissible for representation in attendance unless it is fixed by virtue of a special proxy.

**Article (29)**

**Presidency of the Constituent Assembly**

The founders shall set the agenda of the Constituent Assembly of the founders, and shall assign its chairmanship to the founder elected by an absolute majority of the shares represented therein. The Assembly shall also select a Secretary and Vote Collectors.

The Secretary shall prepare a minutes document that shall include the attendance quorum, a summary of discussions, proceedings during the meeting, decisions taken, the number of approving and disapproving votes for each decision separately, and any matters requested by attendees to be documented in the minutes. The names of the present subscribers shall also be recorded in a dedicated register that verifies their attendance.

The minutes and the aforementioned register shall be signed by the Chairman of the session, the Secretary, and the Vote Collectors.

**Article (30)**

**Conditions for the Validity of the Constituent Assembly’s Meeting**

The validity of the Constituent Assembly’s meeting shall require the presence of a number of subscribers representing at least half of the capital.

If the meeting does not meet the quorum stipulated in the preceding paragraph, a call for a second meeting shall be sent to be convened within a period of twenty-one days from the date of the first meeting, in which the first call procedures shall be followed, with notification of the quorum not being met at the first meeting. The second meeting shall be valid regardless of the number of subscribers represented therein.

Decisions of the Constituent Assembly shall be issued by an absolute majority of the shares represented therein.

**Article (31)**

**Competence of the Constituent Assembly**

In particular, the Constituent Assembly shall be competent to consider the following issues:

A. The founders’ report concerning the procedures and the costs of the incorporation of the company.

B. Approval of the assessment of the in rem shares, whether material or intangible, if any.

C. Elections or the appointment of the first Board of Directors.

D. Appointment of auditors.

E. Announcing the incorporation of the company conclusively.

**Article (32)**

Without prejudice to the provisions of Articles (101, 103, 104, 117) of the Law, the first Board of Directors shall particularly handle the following duties:

A) Notifying the Ministry and the Bahrain Stock Exchange, as the case may be, of the following data:

1) Acknowledgement of the full subscription of the capital, the value of the shares paid by the subscribers, a statement of their names, nationalities, elected domicile, and the number of shares subscribed to by each one of them.

2) Minutes of the Constituent Assembly’s session, signed by its Chairman and Secretary.

3) Decisions of the Constituent Assembly ratifying the matters provided for in the preceding Article.

4) Documents supporting the validity of the incorporation procedures.

B) Registration of the company and its articles of association in the Commercial Register.

**Article (33)**

**Introduction of the Company in its Documents and Publications**

A. All contracts, documents, and letters issued by the company and addressed to third parties such as correspondence, invoices, notifications, documents, and publications, shall bear the company’s address preceded or supplemented by the phrase "Bahraini Joint Stock Company B.S.C." in clear and legible letters, indicating the company’s headquarters, the date of its incorporation, the amount of the authorised, the subscribed, and the paid-up capital, and the company’s number in the Commercial Register. The aforementioned shall apply to the notification of the company’s name and address, whether at its headquarters, branches, or anywhere else.

B. The company shall maintain its articles of association at its headquarters, and every person shall have the right to obtain an identical copy of the articles of association for a price to be determined.

**Article (34)**

The founders shall be jointly liable for what they committed to. The founder who committed on behalf of others shall be considered personally bound if the name of his representative is not specified in the company’s contract/memorandum of association, or if the invalidity of the proxy he provided becomes apparent.

**Chapter Two**

**The Company’s Capital**

**Section One**

**General Provisions**

**Article (35)**

The company’s capital shall be divided into shares of equal value, provided that it shall be specified in the Bahraini currency sufficient to achieve its purposes. Nevertheless, the Minister shall have the right to, in each case separately, approve that the company’s capital shall be in another currency denominated in the Bahraini currency.

**Article (36)**

Without prejudice to the provisions of the relevant laws and regulations, the company’s issued capital shall not be less than one million dinars.

The company’s articles of association shall determine the nominal value of the share, provided that it shall not be less than one hundred fils and not more than one hundred dinars, provided that the shares shall be issued with their nominal value, and they shall not be issued at a lower value, and if they are issued at a higher value, the increase shall be allocated to fulfil the issuance expenses and then to the statutory reserve.

**Article (37)**

**Issued and Authorized Capital:**

The company shall have an issued capital, and the company’s articles of association shall also specify an authorised capital not exceeding tenfold.

**Article (38)**

**Components of the Issued Share Capital:**

The issued capital shall consist of the sum of the nominal value of the various types of shares issued by the company. All the declared shares shall be subscribed for, and this shall apply to every increase in the capital.

**Article (39)**

**Requirement of Paying a Quarter of the Cash Share Value:**

The issued capital shall be fully subscribed. Each subscriber shall pay, in cash or any other legally acceptable means of payment, at least one quarter of the nominal value of the cash shares. The Board of Directors shall request the payment of the remainder within a period not exceeding five years from the date of the incorporation of the company.

**Article (40)**

**Date for Completing the Remaining Shares Payment and Process of Fulfilling the Outstanding Amount at the Discretion of the Defaulting Shareholder:**

- If the value of the shares is not fully paid, the shareholder shall then pay the rest within the specified periods; otherwise, interest shall accrue for the delay in payment as soon as the due date falls, without the need for a warning or notification.

- The Board of Directors shall have the right , in case the shareholder fails to pay the due instalment on the share value by the due date, to enforce the share after warning the shareholder by a registered letter with an acknowledgement of receipt. If the shareholder fails to fulfil the obligation within ten days from the receipt of the notification, the company shall have the right to sell the share on the Bahrain Stock Exchange or through a public auction. However, the shareholder shall retain the right, up until the specified auction date, to pay the amount due, inclusive of any expenses incurred by the company.

- The company shall deduct from the sale price any amounts that may be owed to it, such as expenses and overdue instalments. If the price is insufficient to cover/underwrite these amounts, the company shall have the right to reclaim the remaining balance from the shareholder through regular means. The shareholder whose shares are sold shall be held accountable for any surplus that may exist.

- All this without prejudice to the right of the company to utilise, before the late shareholder at the same time or at any other time, all the rights granted to it by the General Provisions of the Law.

- Shares certificates sold in the names of their owners shall be inevitably cancelled, and the Bahrain Stock Exchange shall be informed of this, provided that new certificates shall be delivered to buyers instead, bearing the same numbers that were on the cancelled certificates.

**Article (41)**

**Case of Capital Increase with Preferred Shares:**

It shall not be permitted to increase the issued capital with preferred shares, unless the company’s articles of association authorise this at the start, or by a decision issued from the Extraordinary General Assembly by a numerical majority of the partners representing at least two-thirds of the capital upon its increase.

**Article (42)**

**Determination of Certain Privileges for Shares:**

It shall be permitted to stipulate in the company’s articles of association, as well as by a decision from the Extraordinary General Assembly by a numerical majority of the partners representing at least two-thirds of the capital upon its increase, some privileges for certain shares in voting, profits, liquidation proceeds, or other rights, provided that shares of the same type shall be equal in rights, privileges, or restrictions.

**Article (43)**

**Consumption of Shares and its Impact on the Capital:**

In applying the provision of Article (112) of the Law, the shares shall be consumed under a special provision in the company’s articles of association. The value of the consumed shares shall be paid from the profits or distributable reserves. The consumption of the shares shall not result in a capital reduction.

**Article (44)**

**Share Consumption Methods**

Shares shall be consumed in one of the following two ways, as determined by Law:

A. Return part of the nominal value of all shares annually, so that the total consumption shall be done over the period of time determined by the company’s articles of association.

B. Any other ways specified by the company’s articles of association.

In all cases, consumption and performance shall be done equally for each type of share.

**Article (45)**

**The Impact of Consumption on the Distribution of Profits:**

If the company has different types of shares that are being gradually consumed and other types that are being consumed differently, then each share that is fully or partially consumed shall lose, in the same percentage as consumed, its rights to the annual profit distribution that occurs after the consumption. This shall be subject to the provisions of Articles (46, 47) of this Regulation.

**Article (46)**

**Cases of Conversion of Shares into Enjoyment Shares:**

In companies whose statutes stipulate the consumption of the shares before the expiry of the company’s term because the company’s activity is related to an obligation to exploit a natural resource or a public facility granted to it for a limited period of time or in some manner of exploitation which is consumed by use or disappears after a certain period, the fully consumed shares shall be converted into enjoyment shares.

**Article (47)**

The holder of an enjoyment share shall have a share in the profits to the extent stipulated in the company’s articles of association, and it shall be permissible to stipulate in the articles of association that he is entitled to a share from the liquidation proceeds after returning the value of the capital shares to their owners.

The enjoyment shares shall have – with the exception of the aforementioned – all the rights prescribed for the holders of the capital shares, and within the limits stipulated in the company’s articles of association.

**Article (48)**

**Procedures for Amending the Rights of Shares of all Types:**

It shall not be permitted to amend the rights, privileges, or restrictions relating to any type of shares, except by a decision from the Extraordinary General Assembly and with the approval of the numerical majority of the partners representing at least two-thirds of the capital.

**Section Two**

**Capital Adjustment**

**First:  Increasing the Capital**

**Article (49)**

**Increasing the Authorised Capital:**

It shall be permitted by a decision from the company’s Extraordinary General Assembly to increase the authorised capital, and the increase shall be made upon the proposal of the Board of Directors.

**Article (50)**

**Procedures of Increasing the Authorised Capital:**

The Board of Directors shall include in its proposal for increasing the authorised capital all the reasons and justifications for the increase, as well as a report on the progress of the company’s business during the year in which the proposal for the increase was submitted and the balance sheet for the year preceding it, if approved.

The Board of Directors’ report shall be accompanied by another report from the auditor on the validity of the accounting statements contained in the Board of Directors’ report.

**Article (51)**

**Increasing the Issued Share Capital:**

It shall be permitted by a decision from the Ordinary General Assembly to increase the issued capital within the limits of the authorised capital, if it exists. It shall be required for the validity of the decision issued for the increase that the entire issued capital be fully paid prior to the increase.

**Article (52)**

**Issued Share Capital Increase Period:**

The issued capital increase shall be done within the three years following the issuance of the decision licencing the increase; otherwise, the decision for the increase shall be deemed null and void, unless a new decision is issued in this regard. The three-year period shall be calculated for each increase decided upon or licenced before the coming into force of the provisions of the Law starting from this date.

**Article (53)**

**Notifying the Ministry and Bahrain Stock Exchange**

In all cases of capital increase stipulated in Articles (50, 51, 52) of this Regulation, the company shall notify the Ministry and the Bahrain Stock Exchange of the reports and the reasons for the increase.

**Article (54)**

The capital increase shall be carried out by one of the means stipulated in Article (126) of the Law.

**Article (55)**

Taking into account the provisions of Article (57) of this Regulation, the nominal value of the new shares shall be the same as the nominal value of the original shares.

In exchange for the new shares, the following alternatives shall be permissible:

A. Cash.

B. In rem shares.

C. Conversion of the bonds owned by the subscriber into shares, according to the conditions of issuance of these bonds.

**Article (56)**

**Permissibility of Subscription in New Shares through Set-Off:**

It shall be permissible to subscribe to the new shares through the set-off between the subscriber’s cash rights due to be paid by the company, and the value of the subscribed shares, in whole or in part, by a decision issued by the Board of Directors or whoever it authorises, stating the value of these debts, and ratified by the auditor. This acknowledgement shall be submitted to the Authority receiving the subscription to be attached to the original subscription document.

**Article (57)**

**Share Premium**

The Extraordinary General Assembly shall have the right to issue the capital increase shares at the same nominal value plus a share premium, the amount of which shall be determined by this Assembly. The net value of this premium shall be added to the company’s statutory reserve, even if it reaches half of the capital.

**Article (58)**

**Extent of the Rights Issue/Pre-emptive Rights of Shareholders to Subscribe for New Shares:**

The company’s articles of association shall include stipulating the rights issue/pre-emptive rights of shareholders to subscribe to the shares of the capital increase, and the articles of association shall not include stipulating that this right shall be limited to some shareholders who hold the same shares over others, without prejudice to the rights determined for the preferred shares, and every condition in contradiction with that shall be deemed null and void.

**Article (59)**

If the new shares or part of them are offered in a public subscription, the provisions relating to public subscription upon the company's incorporation stipulated in the Law and this Regulation, shall be followed.

**Article (60)**

**Subscription Prospectus**

If the new shares or part of them are offered in a public subscription, the company shall issue a subscription prospectus that shall include, in particular, the following data:

A. Reasons for capital increase.

B. The decision of the Ordinary or Extraordinary General Assembly, as the case may be, to increase the capital.

C. The company’s capital upon the issuance of the new shares, the amount of the proposed increase, the number of new shares, and the share premium, if any.

D. Statement of in rem shares, if any.

E. A statement of the average profits distributed by the company during the three years preceding the decision to increase the capital.

F. An acknowledgement from the auditor regarding the accuracy of the data contained in the prospectus.

The prospectus shall be signed by both the Chairman of the Board of Directors and the auditor, and they shall be jointly responsible for the accuracy of the data contained therein.

**Article (61)**

**Means of Subscription to New Shares**

Subscription to the new shares shall be by virtue of a subscription document signed by the subscriber or his representative, in which the date of subscription, the name of the subscriber, his nationality, address, and the number of shares shall be recorded in letters, numbers, and other necessary data shall be proven therein.

**Article (62)**

**Publishing the Decision Issued Increasing the Capital**

The Board of Directors of the company shall publish the decision to increase the capital in the Official Gazette, as well as in one of the local daily newspapers. The Board of Directors shall also record this decision in the Commercial Register within one month from the date of the increase.

**Second: Decreasing the Capital**

**Article (63)**

**The Competent Authority of the Decrease:**

Without prejudice to the provisions of Article (153) of the Law, the company’s capital may be reduced by a decision from the Extraordinary General Assembly, if it exceeds the need of the company, if there is a loss, and it is deemed that the capital shall be reduced to the already existing value.

The reduction decision shall not be issued until after reading out both the reports of the Board of Directors and the auditor on the reasons for the reduction, the obligations of the company, and the impact of the reduction on these obligations. The company shall notify the Ministry of a copy of the previous two reports.

**Article (64)**

**Execution of the Reduction**

Without prejudice to the provisions of Article (153) of the Law, the reduction decision shall specify the manner in which it shall be implemented, as well as the person charged with taking the necessary measures to implement the reduction decision.

The decrease shall be done in one of two ways:

A- Decreasing the nominal value of the share.

B- Cancelling a number of shares with the value of the amount to be reduced from the capital.

**Article (65)**

**Effects of the Reduction Regarding the Minimum Share Value**

It shall not be permissible for the reduction of the share value to result in it falling below the minimum limit specified in Article (36) of this Regulation.

**Article (66)**

**Case of Reduction through the Cancellation of a Number of Shares:**

In case where the capital is reduced through the cancellation of the number of shares, the number of shares owned by each shareholder shall be cancelled in the same percentage in which the capital is reduced, provided that this shall not result in the exclusion of any shareholder, regardless of the number of shares he owns, from shareholding in the company.

**Article (67)**

**Publishing the Decision Issued Reducing the Capital**

The company shall publish every decision issued to reduce the capital in the Official Gazette, as well as in one of the local daily newspapers. The company shall also record this decision in the Commercial Register, in accordance with the provisions of the Law of this Register.

**Part Three**

**Loan Bonds**

**Article (68)**

Loan bonds shall be securities issued by a public joint stock company and a closed joint stock company, in which the government or a public authority or institution contributes at least 30% in it, in accordance with the controls and provisions stipulated in the following Articles.

**Article (69)**

The companies stipulated in the preceding Article shall have the right to, by virtue of a decision from the Ordinary General Assembly, borrow by issuing loan bonds upon a proposal by the Board of Directors containing the extent of the company’s need for borrowing and the conditions for issuing loan bonds. The approval of the Bahrain Monetary Agency shall be required in the case of bonds issued in foreign currencies or in Bahraini currency that shall be offered for subscription in international markets.

The decision of the General Assembly may include delegating the Board of Directors to choose the time of issuance, provided that this shall be done within the two years following the date of issuance of the General Assembly’s decision.

The Ministry of Finance and National Economy shall approve the company’s borrowing by issuing loan bonds. The Bahrain Monetary Agency shall be considered the competent authority to issue the approval if the company is one of the companies subject to its supervision.

**Article (70)**

The company shall issue nominal bonds with specified values or unified categories in issuance, and negotiable with a due date of no less than two years. Bonds of the same issuance shall represent equal rights for their owners in relation to the company. Any condition contrary to this shall be deemed null and void.

**Article (71)**

**Obligation of Full Capital Payment Prior to Bond Issuance**

1) The company shall not have the right to issue bonds except after the issued capital has been fully fulfilled and the balance sheet and profit and loss account for a minimum of two consecutive financial years have been published.

2) As an exception from the provisions of the preceding paragraph, the company shall have the right to issue bonds in the following two cases:

A) If the bonds are guaranteed by the Kingdom.

B) If the bonds are guaranteed by one of the public authorities or institutions.

**Article (72)**

**Total Value of Outstanding Bonds**

The total value of outstanding bonds issued by the company shall not exceed the issued and fully paid capital and non-distributable reserves, in accordance with the latest budget approved by the General Assembly.

Bonds guaranteed by the Kingdom or by a public authority or institution, and bonds issued by banks and companies subject to the supervision of the Bahrain Monetary Agency and after its approval, shall be excluded from this.

**Article (73)**

**How is the Value of the Loan Bonds Covered/Underwritten**

The company shall have the right to cover/underwrite the value of the loan bonds using one of two means:

A. A - Offering bonds through a public subscription.

B. Selling bonds through banks, financial and investment companies, and underwriters, provided that in such case, the applicable rules and customs in this regard shall be taken into account and in a manner that shall not conflict with the provisions of the Law.

**Article (74)**

**Condition for Offering Bonds for Public Subscription**

If the bonds issued by the company are offered in a public subscription, the rules and provisions prescribed for subscribing to shares shall be followed in this regard and in a manner that shall not conflict with the nature of the bonds, taking into account the provisions set forth in the following Articles.

**Article (75)**

**Subscription Statement**

The call for public subscription in the loan bonds shall be through a statement approved by the competent government authority, published in one of the local daily newspapers at the expense of the company, and shall include all the data stipulated in Article (143) of the Law, namely:

A. The decision of the General Assembly to issue the bonds, its date, and the approval of the competent government authority.

B. The total amount of the loan.

C. The essential information included in bond certificates as stipulated by the Law.

D. Summary of the annual balance sheet and profit and loss account for the two fiscal years preceding the issuance of the bonds.

E. The value of the bonds that the company issued before the new issue has not yet been paid its value.

F. The entity through which the bonds are subscribed to.

G. The amount to be paid for the value of the bond in the event that this value is paid in instalments.

H. Specific duration of the subscription.

I. The period during which the holders of bonds convertible into shares are allowed to express their desire to convert, provided that this period shall not exceed the deadline specified for the consumption of the bonds.

J. A statement of the extent of the shareholder’s right to subscribe to bonds convertible into shares.

K. A statement of the extent of the company’s right to consume the bond and the conditions of consumption.

L. Statement of names of members of the Board of Directors.

These statements shall be mentioned in all notifications and prospectuses related to the loan. The subscription statement shall be signed by both the Chairman of the Board of Directors and the auditor, and they shall be jointly held accountable for the invalidity of the contents of the statement.

**Article (76)**

**Covering/Underwriting the Bonds Offered for Subscription**

The subscription shall be considered complete if 50% or more of the bonds offered for subscription are covered/underwritten within the specified period, or any other period for the subscription to be extended.

**Article (77)**

**Failure to Cover/Underwrite the Bonds Offered for Subscription**

If the coverage percentage of the bonds offered for subscription is less than 50% during the prescribed period or any other period to which the subscription shall be extended, the General Assembly shall have the right to withdraw the loan and refund the subscribers, or be satisfied with the amount covered/underwritten from the bonds and cancel the rest.

**Article (78)**

**Violating the Conditions and Procedures for Issuing and Subscribing to Bonds**

Any interested party shall have the right, in case of a violation of the conditions, rules, and procedures prescribed in the Law regarding the issuance and subscription of bonds, to request the competent court to cancel the subscription and oblige the company to refund the value of the bonds immediately and compensate him for the damage suffered.

**Article (79)**

**Bonds Convertible into Shares**

The company whose shares are accepted for trading on the Bahrain Stock Exchange shall have the right, by a prior decision from the Extraordinary General Assembly based on a reasoned proposal by the Board of Directors, to issue convertible bonds, all in accordance with the provisions stipulated in Article (149) of the Law.

The company whose shares are not accepted for trading on the Bahrain Stock Exchange shall be prohibited from issuing bonds convertible into shares.

**Article (80)**

**Shareholders’ Right to Prioritise Subscription in Bonds Convertible into Shares**

The shareholders of the company shall have the right to prioritise subscription to bonds convertible into shares, in accordance with Article (150) of the Law.

**Article (81)**

**Conditions for the Conversion of Bonds into Shares and Rights of Shares Resulting from the Conversion**

Bonds shall not be converted into shares except with the consent of their owners, under conditions, and in accordance with the principles issued by a decision from the Extraordinary General Assembly and announced in the subscription prospectus. The bondholder shall express his desire for conversion within the period stipulated in the decision issuing the bonds indicated in the prospectus.

Shares acquired by bondholders due to the conversion of their bonds shall have rights to the profits to be distributed for the fiscal year in which the conversion took place, from the date thereof until the end of the fiscal year.

**Article (82)**

**Bonds Guaranteed by Way of Mortgage**

If the bonds are guaranteed by way of mortgage on the company’s funds, or by other guarantees or assurance, the mortgage, guarantee, or assurance shall be made in favour of the Bondholders’ Authority or its representative before the bonds are offered for subscription. The company or the entity that provided the guarantee, if submitted by a party other than the company, shall complete the procedures of mortgage, guarantee, or assurance after the approval of the competent authority in this entity.

The mortgage shall also be registered before the bond subscription is opened.

The legal representative of the company shall, within a period not exceeding one month from the end of the period prescribed for subscription, take the necessary measures to annotate the value of the loan represented by the bonds, as well as all data related to it, in the register in which the mortgage is registered.

**Article (83)**

**Formation of the Bondholders’ Authority**

A 'Bondholders’ Authority' shall be constituted for each bond issuance, composed of the holders of the bonds from every issuance. Its purpose shall be to protect the mutual interests of its members.

However, if the company issues bonds with identical rights on several issues, it shall be stipulated in the decision issued regarding each issue that the holders of all these bonds with identical rights shall join one body.

**Article (84)**

**Legal Representative of the Bondholders’ Authority**

The Bondholders’ Authority shall have a legal representative from among its members or from a third party, selected or elected at the Authority’s meeting.

**Article (85)**

**Conditions for the Authority’s Legal Representative**

The legal representative of the Authority shall not have a direct or indirect interest in the bond-issuing company and shall not have an interest that conflicts with the bondholder’s interest in relation to the company.

**Article (86)**

**The Company’s Call to the Authority**

The company shall, within one month from the date of the end of the subscription of the bonds, call the Authority to convene by publishing in a local daily newspaper, in order to approve the Authority’s articles of association, elect, or select its legal representative. This articles of association shall include the period of representation of the legal representative and his deputy in case of his absence, and the financial remuneration set for him, if necessary, provided that it shall be within the limits mentioned in the subscription prospectus of bonds, as well as how he shall be dismissed.

If the company does not call the Authority to convene within the period referred to in the preceding paragraph, every interested party shall have the right to request the Ministry to call the Authority to convene within a period not exceeding fifteen days from the date of submitting the request.

**Article (87)**

**Notification of the Formation of the Authority, the Name of its Legal Representative, and its Issued Decisions**

The Chairman of the Board of Directors of the company and the Authority’s legal representative shall, in case of his selection or appointment, notify the competent directorate of the formation of the Authority, as well as of the name of its legal representative.

The legal representative of the Authority shall notify each of the Chairman of the Board of Directors of the company as well as the competent directorate with a signed copy of the decisions issued by the Authority.

**Article (88)**

It shall be permissible to call the Authority to convene whenever the need arises, upon the request of the company, a number of bondholders who own at least 10% of its value, or the legal representative of the group. The call shall be made in the same manner referred to in Article (86) of this Regulation, and it shall include the agenda.

The decisions of the Authority shall not be valid unless a number representing two-thirds of the value of the issued bonds is present at the meeting. If this quorum is not met, the Authority shall be called, for the same agenda, for a second meeting, which shall be valid with those representing one-third of the bonds’ value.

Votes shall be issued by a majority of the attendees’ votes, unless the decision relates to the extension of the bond’s term of fulfilment, the reduction of the yield/revenue or the amount of the debt, the reduction of insurances, or in any case affects the rights of bondholders, the validity of which shall be approved by those who own two-thirds of the bonds.

**Article (89)**

**The Meeting’s Agenda**

The person or entity that called for the meeting shall determine the agenda. Holders of no less than 10% of the bonds shall have the right to request, from the person or entity that called for the meeting, to include specific matters within the agenda in order to consider them and issue decisions concerning them.

It shall not be permissible to deliberate or issue decisions regarding matters not included in the agenda.

**Article (90)**

**The Right to Attend the Authority’s Meeting**

Every bondholder shall have the right to attend the meetings of the Authority, whether in person or through a representative.

**Article (91)**

**Location of the Authority’s Meeting**

The Bondholders’ Authority shall convene at the headquarters of the company issuing the bonds, or at any other place as specified in the call for meeting.

**Article (92)**

**Authority Functions**

In all cases, it shall not be permitted for the Authority to take any measures that result in increasing the burdens on its members or in unequal treatment between them.

**Article (93)**

**Competences of the Authority’s Legal Representative**

The legal representative of the Bondholders’ Authority shall have the following competencies:

A. Representing the group in face of the company, third parties, or courts of law.

B. Presiding over the meetings of the Authority and in case of absence - and his representative - the Authority shall choose his replacement in presiding over the meeting.

C. Carrying out the management work necessary to protect the common interests of bondholders who are members of the Authority, within the limits set by the Authority.

D. Filing lawsuits that the Authority agrees to file under its name, for the purpose of preserving the common interests of its members, particularly lawsuits related to the nullification of decisions and acts that are harmful to the Authority and issued by the company, if any.

**Article (94)**

**Rights of the Authority’s Legal Representative Before the Company**

The legal representative of the Authority shall not interfere in the management of the company.

He shall have the right to attend the General Assemblies of the company, participate in deliberations, and make observations without having the right to vote on decisions.

The company shall send him the same call that was sent to the shareholders to attend the General Assemblies, as well as provide him with all the documents and the agenda of any meeting.

**Article (95)**

**Advancement or Delaying the Date of Payment of Bonds**

The company shall not have the right to advance or delay the date of payment of bonds, unless the decision issuing the bonds and subscription prospectus state otherwise.

However, in case the company is dissolved before the expiry of its term - if any – for a reason other than merger, bondholders shall have the right to request the payment of the value of their bonds before their due date, and the company shall also have the right to offer this to them.

**Chapter Four**

**Joint Stock Company Management**

**Section One**

**Joint Stock Company Board of Directors**

**Article (96)**

The articles of association of the company shall state the method of forming the Board of Directors, whether by appointment or election, as well as its membership term, provided that the number of its members shall not be less than five, and the membership term shall not exceed three years.

It shall be permitted, by a decision from the Minister - upon the request of the Board of Directors - to extend the membership term by no more than six months.

In all cases, the member of the Board of Directors shall meet the conditions stipulated in Article (173) of the Law.

**Article (97)**

**Permissibility of Membership Renewal of Expired Terms**

It shall be permitted for the membership of the Board member whose term has expired to be renewed. The renewal of membership shall be considered a new nomination that shall require all the terms and conditions needed for first-time membership stipulated in Article (173) of the Law.

**Article (98)**

**Value of Membership Quorum Shares**

Unless the company’s articles of association stipulate a higher amount, a Board member shall be required to personally own a number of shares of a nominal value equivalent to at least ten thousand dinars, or the person representing him to own a number of shares not less than 1% of the company’s capital, whichever is greater.

**Article (99)**

**Release of Membership Quorum Shares**

The Board member shall be prohibited from disposing of the membership guarantee shares in any way, throughout the duration of his membership.

It shall not be permitted to release membership quorum shares unless the membership term has expired, the budget, as well as the profit and loss account for the last fiscal year in which the member performed his duties, has been ratified, and his obligations have been cleared.

**Article (100)**

**Election of the Board of Directors**

The General Assembly shall elect the members of the Board of Directors by secret ballot, and they shall be chosen by the relative majority of valid votes, provided that the company’s articles of association shall have the right, for the members of the first Board of Directors, to elect a number not exceeding half of its members from among the founders of the company.

**Article (101)**

**Election of the Chairman of the Board of Directors**

The Board of Directors shall elect, by secret ballot and from among its members, a Chairman and a Vice-Chairman for a period of one year, unless the company’s articles of association specifies another period.

The Board of Directors shall have the right to elect, by secret ballot, one or more Managing Directors who shall have the right to sign on behalf of the company, jointly or individually, according to the decision of the Board. The company shall inform the Ministry of a copy of the minutes of the election of the Chairman, the Vice-Chairman, and the Managing Directors - if any.

**Article (102)**

**Minutes of the Board of Directors Meetings**

The minutes of the Board of Directors’ meetings shall be recorded on a regular basis after each session in a dedicated register. These minutes shall be signed by the Chairman, the members who attended the session, and the Secretary of the Board. This register must be maintained at the company’s headquarters. The names of those who attended each session and those who did not attend from among the members of the Board shall be recorded in the minutes of each session, along with the excuses of those who did not attend, if they exist. The names of persons other than the members of the Board, whose presence or absence may be required by the articles of association, shall also be recorded in the minutes of each session, as well as the names of all those who attended—other than the members—all or part of the session.

A full summary of all the discussions of the Board—and everything that happens during the meeting, and everything that the members request to be recorded in the minutes—shall also be recorded in the minutes.

The member who does not approve any decision issued by the Board, his objection shall be recorded in the minutes, and those who signed the minutes of the sessions shall be responsible for the validity of the data contained in the register.

**Article (103)**

**Quorum for Board Meetings and Decisions**

The meeting of the Board of Directors shall be convened by its Chairman or by at least two members. The Board of Directors shall convene at least four times during a single fiscal year, unless the company’s articles of association stipulate more times.

The Board meeting shall not be valid unless it is attended by half of its members, including the Chairman, provided that the number of attendees shall not be less than three, unless the company’s articles of association stipulate a greater number or percentage.

The Board decisions shall be issued by a majority of votes of the attending members. If the votes are equal, the side of the Chairman shall prevail, and the objecting member shall record his objection in the minutes of the meeting.

**Section Two**

**General Assembly**

**First:  Ordinary General Assembly**

**Article (104)**

**Cases of Calling the General Assembly to Convene**

The Ordinary General Assembly of shareholders shall be convened at the call of the persons specified in Article (198) of the Law, and at the time and place specified by the articles of association of the company.

**Article (105)**

**Call Data for the General Assembly Meeting**

The call to the General Assembly meeting shall include, in particular, the following data:

A. The company’s name and its headquarters address.

B. Its registration number in the Commercial Register.

C. The date, time, and place of the Assembly meeting.

D. Indicating the assembly type.

E. Agenda.

F. A statement of the date, time, and place of the second or third meeting in the absence of a quorum.

**Article (106)**

**Notification of the General Assembly Call**

The call of the shareholders to attend the General Assembly shall be notified at least fifteen days before the date specified for the meeting and in at least two daily newspapers issued in Arabic, provided that one of them shall be local.

The notification expenses—in all cases—shall be at the expense of the company.

**(Article 107)**

**The Entities to Which the General Assembly Meeting Call Shall be Sent**

Persons and entities who have the right to call for the General Assembly to convene shall send this call to those who legally have the right to attend the Assembly, provided that this shall include the Ministry, auditors, and the legal representative of the Bondholders’ Authority, if any.

**Article (108)**

**Meeting Agenda:**

The Board of Directors shall set the agenda of the General Assembly held in an ordinary or extraordinary session.

In the cases where it is permissible to convene the meeting at the request of the shareholders, the auditors, or the Ministry, the agenda shall be set by the entity that requests to hold the meeting.

**Article (109)**

**Shareholders Register**

The company shall maintain a register in which the names of the shareholders, their nationalities, their domicile, the amount and number of share certificates, and the dispositions carried out on them, shall be recorded. The company shall inform, by any means, the Ministry and the Bahrain Stock Exchange of a copy of these data.

**Article (110)**

**Members Register**

The company shall prepare a register of its shareholders, in which the names of the members, their addresses, the number of shares owned by each one of them, the amount paid for each share, the date of registration of each member in the register, the date of his separation from the company, and the manner of such separation shall all be recorded.

This register shall be kept at the company’s headquarters. Every member shall be allowed to access the register free of charge, and every other person shall have the right to access it by paying an appropriate fee—specified by the company’s articles of association—except in the cases where law prohibits access to it. Every concerned party shall have the right to request the correction of the register if a person is registered in it or deleted from it without justification.

**Article (111)**

**Meeting Attendance Card**

The names of the shareholders shall be recorded in a dedicated register prepared for this purpose at the headquarters of the company, at least twenty-four hours before the date specified for the convening of the General Assembly. The register shall include the names of the shareholders, the number of shares they own, the number of shares they represent, and the names of their owners, along with submitting a proxy deed. The shareholder shall be provided with an attendance card for the meeting, in which the number of votes he is entitled to in person and by proxy shall be stated.

**Article (112)**

**Chairmanship of the General Assembly**

The meeting of the General Assembly shall be chaired over by the Chairman of the Board of Directors, the Vice-Chairman, whoever is delegated by the Board of Directors, or the General Assembly for that purpose.

**Article (113)**

**The Attendance Capacity to the General Assembly**

The attendance of the shareholders at the General Assembly shall be in person, by proxy, or by delegation, as stipulated in Article (203) of the Law.

**Article (114)**

**Appointment of Vote Collectors**

The Chairman of the meeting shall appoint, at the beginning of the meeting, the names of the collectors of the shareholders’ votes, provided that the General Assembly shall approve their appointment. It shall be permitted to appoint them from among non-shareholders if the articles of association do not stipulate otherwise.

The Chairman shall request the auditors and the Vote Collectors to set the percentage of the shareholders’ attendance, record this in the relevant register, sign it, and then announce it by the Chairman.

**Article (115)**

**Procedures for Proxy and Displaying Delegation Status**

The proxy shall be made, and the delegation status of the company shall be presented at least twenty-four hours before the General Assembly meeting. The company shall prepare cards for the number of shares owned by the shareholder, as well as the shares in which he attends on behalf of other shareholders, provided that these cards shall be ready before the start of the meeting.

**Article (116)**

**Shareholder Attendance Register**

The shareholders’ attendance at the meetings of the General Assembly shall be recorded in a dedicated register, in which the following data shall be recorded:

A. The name of every shareholder who attended the meeting in person, his nationality, his domicile, and the number of shares he owns.

B. The name of every shareholder represented in the Assembly by a representative/proxy or delegate, his nationality, his domicile, and the number of shares he owns.

C. The name of every representative/proxy or delegate who attended the meeting on behalf of others, his nationality, his domicile, and the number of shares he represents.

Before the start of the meeting, this register shall be signed by the auditors, the Vote Collectors, and the Chairman of the Assembly, and the company shall maintain all the documents supporting what is stated in the minutes of the meeting.

**Article (117)**

**Quorum Completion and Non-Completion**

If the quorum of attendance required by Law for the validity of the meeting is complete, the General Assembly shall begin the consideration of the agenda.

If any of the shareholders or their representatives withdraw from the meeting after the quorum of the meeting is complete—regardless of the number of shares withdrawn—this shall not affect the validity of the meeting and the decisions issued by the General Assembly.

In case a quorum is not met, minutes of this shall be issued and signed by the auditors and the Vote Collectors, and the Chairman shall not declare the deferral of the meeting to the date scheduled for the next meeting, until thirty minutes have passed from the time specified for the notification.

**Article (118)**

**Minutes of the Assembly’s Discussions**

The minutes of the General Assembly’s discussions shall include, in addition to the statements stipulated in Article (208) of the Law, a statement of the Assembly members who attended, whether the Ministry’s representative, the legal representative of the Bondholders’ Authority, or others, and a statement of the observations they made at the meeting shall also be recorded in the minutes.

The minutes shall be signed by the Chairman of the Assembly, the auditors—if any—and the Vote Collectors, and a copy of it shall be sent to the competent directorate within fifteen days from the date of the meeting.

**Second: The Extraordinary General Assembly**

**Article (119)**

The same provisions relating to the Ordinary General Assembly shall apply to the Extraordinary General Assembly, taking into account the provisions stipulated in Articles (210 to 213) of the Law, as well as the following Articles.

**Article (120)**

**Cases of Calling for the Extraordinary General Assembly**

The Board of Directors shall have the right to call for the General Assembly to convene in an extraordinary session, and the Board of Directors shall call the General Assembly to convene in an extraordinary session if requested in writing by a number of shareholders representing at least 10% of the company’s shares within one month from the date of receiving the request; otherwise, the Ministry shall send the call within fifteen days from the date on which the one-month period ends.

**Article (121)**

**Enforceability of the Decisions Issued by the Extraordinary General Assembly**

The decisions of the Extraordinary General Assembly relating to the matters stipulated in Article (212) of the Law, shall not be effective except after the approval of the Ministry.

**Article (122)**

The Extraordinary General Assembly shall have the right to issue a decision that falls within the competence of the Ordinary General Assembly, provided that two conditions are jointly met:

A. Availability of the quorum and majority required for the Ordinary General Assembly.

B. Including in the agenda the matters that are the subject of the decision.

**Section Three**

**Auditors**

**Article (123)**

In case of multiple auditors, they shall all be jointly liable for audit work, if they are involved in an error.

**Section Four**

**Financial System**

**First:  Fiscal Year**

**Article (124)**

**Fiscal Year Period**

The company shall have a fiscal year starting from the first of January and ending on the 31st of December of each year, unless the company’s articles of association stipulate otherwise. As an exception, the fiscal year shall begin from the date of the conclusive announcement of the company’s incorporation and shall end at the end of the fiscal year, taking into account that the first fiscal year shall not be less than six months.

In the event that the beginning and end of the fiscal year are amended in accordance with the company’s articles of association, the company shall prepare a budget for the period starting from the date of the end of the fiscal year prior to the amendment to the date of the beginning of the fiscal year after the amendment.

**Article (125)**

**Documents Prepared at the End of the Fiscal Year**

The Board of Directors shall prepare in each fiscal year, no later than three months at most from the date of its end, a report on the company’s activity during the fiscal year, its financial position, the company’s balance sheet, and its profit and loss account.

The report, balance sheet, and profit and loss account shall be signed by the Chairman of the Board of Directors and one of the members.

The members of the Board of Directors shall be responsible for the implementation thereof.

**Article (126)**

**Documents Published Prior to the General Assembly Meeting**

The Board of Directors shall publish the balance sheet, the profit and loss account, a comprehensive summary of the annual report, and the full text of the auditor’s report in a local daily newspaper issued in the Arabic language at least fifteen days before the General Assembly is held.

**Article (127)**

**Maintaining the Format of the Balance Sheet and Profit and Loss Account**

The form in which the balance sheet and profit and loss account of the company shall be submitted shall not change from one fiscal year to another. However, it shall be permissible, as an exception, to change some clauses, provided that the observations attached to the document in which the change occurred, shall include a statement of this along with a clarification of its reasons.

**Second: Profits, their Distribution, and Reserves**

**Article (128)**

**Net Profits**

Net profits shall be the profits resulting from the operations carried out by the company during the fiscal year. These profits shall be calculated after deducting all necessary costs to achieve them and after calculating and setting aside all consumptions and provisions stipulated in this Law or required by accounting assets to be calculated and set aside before making any distribution in any form whatsoever.

**Article (129)**

**Obligatory Reserve (Statutory)**

When preparing the balance sheet and profit and loss account, the company shall annually deduct at least 10% of the net profits to form the obligatory reserve, unless the articles of association specify a greater percentage.

It shall be permissible to suspend this deduction if the obligatory reserve reaches 50% of the paid-up capital, unless the company’s articles of association stipulate a greater percentage. If this reserve is less than the said percentage, the deduction shall be restored until the reserve reaches that percentage.

The company shall not be permitted to distribute the obligatory reserve among the shareholders, but it shall be permissible to be used to secure the distribution of profits to the shareholders not exceeding 5% of the paid-up capital in years where the company’s profits do not permit securing this limit.

**Article (130)**

**Distribution of a Percentage of Asset Sale Profits and its Conditions**

It shall be permitted, with the approval of the General Assembly, to distribute a percentage of the net profits achieved by the company as a result of selling a fixed asset or compensating for it, provided that this shall not result in the company not being able to restore its own assets to their previous state or buy new fixed assets.

The General Assembly shall have the right to, before issuing its aforementioned approval, request from its auditors a report regarding the percentage distributed from the net profits and the sufficiency of the remaining proceeds from the sale of the fixed asset or the compensation received for it, in order to restore the company’s fixed assets to their previous state.

**Article (131)**

**Voluntary Reserve**

It shall be permitted, by a decision from the General Assembly and upon the proposal of the Board of Directors, to annually deduct part of the net profits of the voluntary reserve account.

The voluntary reserve shall only be used for the purpose of consuming the company’s assets, compensating for their decrease in value, or in the aspects decided by the General Assembly.

**Article (132)**

**Distributable Profits**

Distributable profits shall be the net profits deducting from them the reserves stipulated in the Law. The General Assembly shall not have the right to distribute profits in violation of the rules stipulated in the Law, this Regulation, or the articles of association.

If fictitious profits are distributed, the creditor of the company shall have the right to require every shareholder to return what he received from these profits, even if it was in good faith.

A shareholder shall not be obligated to return the actual profits he has received, even if the company incurs losses in subsequent years.

**Article (133)**

It shall not be permissible to distribute profits if this results in preventing the company from fulfilling its financial obligations on time.

**Article (134)**

The right of the shareholder to profits shall be a contingent right that shall be only confirmed with the approval of the General Assembly on the distribution of profits.

**Article (135)**

**Implementation of the Assembly’s Decision to Distribute Profits**

Each shareholder shall be entitled to his share of the profits, as soon as the decision of the General Assembly to distribute them is issued.

**Part Three**

**Closed Joint Stock Company**

**Article (136)**

**Minimum Number of Shareholders**

A closed joint stock company shall consist of a number of persons—not less than two—provided that they subscribe to it with negotiable shares and shall not be offered to the public through a public subscription.

**Article (137)**

**Transformation of the Company**

The Minister shall have the right to, upon the incorporation of the closed joint stock company, require that the company be transformed into a public joint stock company if the public interest so requires. This shall also be permissible for the company itself under the conditions stipulated in Article (245) of the Law.

**Article (138)**

**The Minimum Capital of a Closed Joint Stock Company**

Without prejudice to the provisions of the relevant laws and regulations, the capital of the closed joint stock company's capital shall not be less than two hundred and fifty thousand dinars.

**Article (139)**

**The Company Acquiring the Capacity of a Legal Person**

The closed joint stock company shall not acquire legal personality, and it shall only be permitted to start engaging in its activities after being registered in the Commercial Register, and the decision issued incorporating it published in the Official Gazette at the expense of the company.

**Article (140)**

**Convening of the Constituent Assembly**

Without prejudice to the provisions of Article (199) of the Law, the founders or their representative shall call for a Constituent Assembly to convene within seven days from the date of the Ministry’s approval of the company’s incorporation. The meeting shall be chaired over by whoever is elected by the numerical majority of the attending members.

**Article (141)**

**Competencies of the Constituent Assembly**

In particular, the Constituent Assembly shall be competent to consider the following issues:

A. The report prepared on the company’s incorporation operations, the expenses entailed, and the evaluation of in rem shares.

B. Election of the Board of Directors and appointment of auditors.

C. Announcing the incorporation of the company conclusively.

**Article (142)**

**Company Management**

The company’s articles of association shall specify the method of forming the Board of Directors and the membership term. The number of its members shall not be less than three, and the membership term shall not exceed three renewable years. The Board members shall not be subject to the quorum conditions stipulated in the Law.

**Article (143)**

Taking into account the provisions stipulated in the Law, the closed joint stock company shall be subject to all the provisions contained in this Regulation regarding the public joint stock company, which do not conflict with the provisions of this Part.

**Part Four**

**Limited Partnership by Shares**

**Article (144)**

**Definition of Limited Partnership by Shares**

A limited partnership by shares shall be a company formed by two categories of partners. One category shall consist of joint and jointly liable partners for all company obligations with their entire assets, and the other category shall consist of silent partners who shall be liable for the company’s obligations only up to the extent of their shares in the capital.

**Article (145)**

**The Company Acquiring the Capacity of a Legal Person**

The limited partnership by shares company shall acquire the legal personality by being registered in the Commercial Register.

**Article (146)**

Without prejudice to the provisions of Article (249) of the Law, the provisions of Article (64), and Articles from (86) to (107), from (125) to (166), and from (214) to (225) of the Law, as well as the provisions contained in this Regulation regarding joint stock companies, shall all apply to a limited partnership by shares company, taking into account the following provisions.

**Article (147)**

**Who Has the Right of Incorporation**

Any natural person who meets the necessary qualifications, as well as any legal entity whose purposes include the incorporation of these companies, shall have the right to be a founding party in a limited partnership by shares company.

The number founders shall not be less than four.

**Article (148)**

**The Company’s Capital**

Without prejudice to the provisions of the relevant laws and regulations, the capital of the company shall not be less than twenty thousand dinars.

The capital of the company shall be divided into shares of equal value, negotiable, and indivisible.

**Article (149)**

**Share of the Joint Partner in the Limited Partnership by Shares**

The share of the joint partner in the limited partnership by shares shall consist of cash amounts and in rem shares provided by him to contribute to the company’s capital. The estimation of in rem shares shall be conducted in accordance with the provisions stipulated in Articles from (8) to (11) of this Regulation.

In all cases, the value of every stake of the joint partners shall be equal to the value of the share issued by the company.

The shares of the joint partners shall not be negotiable. However, they may be assigned according to the provisions stipulated in the Law regarding the assignment of partners’ shares in a joint liability company.

**Article (150)**

**Managing Joint Partner(s)**

The company’s articles of association shall include the name of the joint partner(s) entrusted with the management of the company.

The rules relating to managers of joint liability companies shall apply to the managers’ competences, powers, responsibility, and dismissal.

**Article (151)**

**Shareholding Partner**

It shall not be permitted for the shareholding partner to interfere in the management of the company’s business related to third parties, even on the basis of authorization.

If the shareholding partner violates the prohibition stipulated in the preceding paragraph, he shall be liable in all his funds for the obligations arising from his management work.

If a shareholding partner conducts any of the management acts prohibited from him under an express or implicit authorization by the joint partners, such partners shall be jointly liable for the obligations that may arise from such acts.

It shall be permitted for the shareholding partner to be considered liable for all the obligations of the company if the acts he has carried out lead others to believe that he is a joint partner. In this case, the provisions relating to joint partners shall apply to the shareholding partner.

If the shareholding partner’s name is mentioned in the name of the company with his knowledge, he shall be considered a joint partner with bona fide third parties.

**Article (152)**

**The First Board of Control**

Every limited partnership by shares company shall have a supervisory board consisting of at least three members to be elected by the Constituent General Assembly from amongst the shareholding partners if the number of silent partners exceeds ten.

The term of the first supervisory board shall terminate with the first ordinary meeting of the General Assembly. Thereafter, the election of the supervisory board shall be the responsibility of the General Assembly, in accordance with the provisions set out in the company’s articles of association.

**Article (153)**

**Jurisdictions of the First Board of Control**

The first supervisory board shall ascertain that the company’s incorporation procedures have been carried out in accordance with the provisions of the Law, and its members shall be jointly accountable for this.

**Article (154)**

**Jurisdictions of the Board of Control**

The supervisory board shall supervise the company’s business, and in order to do that, it shall be competent in the following:

A. Assigning managers to submit an account statement about their management.

B. Examine the company’s books and documents, and the company managers shall provide him with access to the company’s books and documents, as well as any other papers he might request.

C. Stock-taking of the company’s funds.

D. Expressing an opinion on the issues submitted to it by the company managers.

E. Granting permission for actions that the company’s articles of association stipulate require his approval for execution.

F. The right to call for the General Assembly to convene if he finds that a serious violation has occurred in the management of the company.

G. Calling for the General Assembly to convene in accordance with Article (260) of the Law.

**Article (155)**

The supervisory board shall submit to the General Assembly of shareholders, at the end of each fiscal year, a report on the results of its supervision on the company.

The members of the board shall perform their duties free of charge.

**Article (156)**

**Extent of Liability of the Supervisory Board Members**

Members of the supervisory board shall not be liable for the acts of managers or outcomes thereof, unless they are aware of any wrongful acts and fail to notify the General Assembly.

**Article (157)**

The rules and provisions related to the Board of Directors in joint stock companies shall apply regarding the convening of the supervisory board and the recording the minutes of its sessions.

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**Article (158)**

**General Assembly**

The general assembly of the limited partnership by shares company shall consist of all the joint and shareholding partners. The provisions related to the General Assembly in closed joint stock companies stipulated in Articles from (242) to (244) of the Law, shall apply to the General Assembly in the limited partnership by shares company. The manager of the company shall replace the Chairman of the Board of Directors in calling for the General Assembly, and the General Assembly shall not carry out actions related to the company’s relationship with third parties or ratify them, except with the approval of the managers.

**Article (159)**

**Company System Adjustment**

The Extraordinary General Assembly shall not have the right to amend the articles of association of the company, except with the consent of all joint partners and the availability of the quorum and majority stipulated in Article (212) of the Law.

**Part Five**

**Limited Liability Company**

**Article (160)**

**Number of Partners and their Responsibilities**

A limited liability company shall be a company of a number of partners no less than two and no more than fifty. Every one of them shall only be responsible to the extent of his share in the capital.

**Article (161)**

**Partners Number Falling Below the Legal Quorum**

If the number of partners is less than two, the company shall be transformed by law into a one-person company, unless the company completes this quorum within thirty days from the date of the company’s shares concentrating in the hands of one single partner and unless the company is dissolved.

**Article (162)**

**Partners Number Exceeding the Legal Quorum**

1) The share in the company’s capital shall be indivisible, but it shall be permissible for two or more persons to participate in it, provided that they shall be represented towards the company by one single person. The partners in the share shall be jointly liable for the obligations arising from this share.

2) If the share devolves by way of inheritance or will to more than one person, resulting in the increase of the number of partners to more than fifty, the shares of the heirs or beneficiaries shall be considered one stake towards the company, unless the heirs or beneficiaries agree on the transfer of the stake to a number of them falling within the maximum number of partners allowed.

**Article (163)**

**Public Subscription Ban**

It shall not be permitted to incorporate a company, increase its capital, or borrow for its account through the public subscription, and it shall not be permitted to issue shares or negotiable bonds.

**Article (164)**

**Impermissibility of the Company to Carry Out Certain Activities**

Without prejudice to the provisions of the relevant laws, a limited liability company shall not undertake insurance or banking business activities or investment funds for the account of thirdparties in general.

**Article (165)**

**The Name of the Company**

The company shall have its own name, which may be derived from its purpose; it may also include the name of one or more partners. In all cases, the phrase “Limited Liability Company” shall be added to the name.

The company shall not be permitted to adopt for itself a name identical or similar to the name of another existing company, or that would potentially create confusion about the type or reality of the company.

**Article (166)**

**Introduction of the Company in its Announcements and Publications**

All contracts, documents issued by the company, invoices, notifications, and publications shall bear the name of the company preceded by or followed by the phrase “Limited Liability Company”, as stipulated in the previous Article.

This shall apply, in particular, to the announcement of the company’s name and address, whether in its headquarters or branches, whatever the form.

**Article (167)**

**Minimum Capital of the Company**

The minimum capital of the limited liability company shall be twenty thousand dinars. The capital of the company shall be divided into shares of equal value, each of which shall not be less than fifty dinars.

In all cases, the minimum capital shall not be less than twenty thousand dinars.

**Article (168)**

**Memorandum of Association Data**

The company’s memorandum of association shall include the data stipulated in clause (A) of Article (265) of the Law, as well as other data that may be issued by a decision from the Minister.

However, it shall be permitted for the company’s memorandum of association to contain other provisions relating to:

A. Regulating the right to recover partners’ shares and how to estimate their price when exercising this right.

B. Formation of reserve funds other than the obligatory reserve.

C. Organising the company’s finances, accounts, and the reasons for its dissolution.

The contract shall stipulate that the company shall have one or more auditors selected by the General Assembly every year. In their authority, responsibilities, and procedures, auditors shall be subject to the rules prescribed in Articles from (217) to (224) of the Law.

**Article (169)**

The partner’s share in the company shall be either a cash share or an in rem share.

**Article (170)**

**Obligation to Distribute All Shares**

The company shall not be incorporated unless all cash shares are distributed among the partners, their value is paid in full, and the in rem shares are delivered to the company.

The cash shares shall be deposited in one of the approved banks in the Kingdom of Bahrain, and shall be paid only to the managers of the company upon presenting a certificate proving the registration of the shares in the Commercial Register.

**Article (171)**

**In Rem Share**

If what the partner has provided is an in rem share, he shall indicate in the company’s articles of association its type, a precise description of it, its value, the price accepted by the other partners for it, the name of the partner, and the amount of his share in the company’s capital in exchange for what he has provided.

**Article (172)**

**Liability of the In Rem Share Provider for Its Value**

The in rem share provider shall be liable for its estimated value in the company’s memorandum of association. If it is proven that there is an increased estimate, he shall be bound to pay the difference in cash to the company. The other partners shall be jointly liable for paying this difference, unless they prove that they are unaware of this. The liability lawsuit shall be dropped by the lapse of five years from the date of registering the company in the Commercial Register.

**Article (173)**

**The Company Acquiring the Capacity of a Legal Person**

The company shall not acquire legal personality except from the time of its registration in the Commercial Register.

**Article (174)**

**Non-Negotiable Capital Shares**

The company’s capital shares shall be non-negotiable; however, it shall be permitted to sell shares by virtue of a document ratifying the signatures contained therein, unless the memorandum of association stipulates otherwise.

**Article (175)**

**Share Sales to Third Parties**

Every partner intending to sell his share—or some of it—shall inform the rest of the partners of the offer he received along with its conditions, especially the price and the name of the buyer; otherwise, the act shall be considered ineffective.

After the lapse of two weeks from notifying the last partner without any partner offering to buy the share, the partner shall have the right to sell it to third parties at least for the offered price. If more than one partner expresses the desire to buy the shares, the shares shall be divided among them in proportion to their respective shares held in the company’s capital. If the assignment of shares is for no compensation, the assigned shares shall not be transferred except with the approval of the majority of shareholders owning shares representing no less than 75% of the capital, after setting aside the shares subject to the assignment.

**Article (176)**

**Transfer of Partners’ Shares**

The transfer of the partners’ shares in the company shall be subject to their right of retrieval and according to the conditions contained in the company’s memorandum of association as well as the provisions of the Law.

**Article (177)**

**Partners Register**

A special register of partners shall be prepared at the company’s headquarters, which shall include the following data:

A. The full names, nationalities, domiciles, and professions of the partners.

B. The number and value of shares owned by every partner.

C. Assignment of shares and date of assignment.

The assignment of a share shall have effect on the partners and third parties only after the date of registration in the Commercial Register and publication in the Official Gazette.

It shall be permitted for each partner and every interested party to access the aforementioned register, and the company shall send the data contained in the register and every change that occurs to it to the Ministry.

**Article (178)**

**Amendment to the Company’s Memorandum of Association and Increase or Reduction of the Capital**

Taking into account the provisions stipulated in the Law, it shall not be permitted to either amend the company’s memorandum of association or increase or reduce the capital, except by a decision from the General Assembly issued by a numerical majority of the partners holding three quarters of its capital, unless the company’s memorandum of association stipulates a higher number. However, it shall not be permitted to increase the partners’ financial obligations except with their unanimous approval.

**Article (179)**

**Implementation of the Capital Increase or Reduction Decision**

The managers or those authorised by the partners shall, immediately upon the issuance of the General Assembly’s decision to increase or reduce the capital, request the amendment of the Commercial Register’s data to indicate the increase or reduction that has taken place. They shall attach to their request a copy of the General Assembly’s decision to increase or reduce the capital.

**Article (180)**

**Reserve Capital**

The company shall maintain a reserve capital, in accordance with the rules stipulated in Article (224) of the Law.

**Article (181)**

**Budget and Losses and Profits Account**

The company shall have a fiscal year starting from the first of January and ending on the 31st of December of every year, except for the first fiscal year of the company, which shall start from the date of its registration in the Commercial Register and shall end at the end of the fiscal year, provided that the first fiscal year shall not be less than six months. In the event that the beginning and end of the fiscal year are amended, the company shall prepare a budget for the period starting from the date of the end of the fiscal year prior to the amendment up to the date of the beginning of the fiscal year after the amendment, unless otherwise stipulated in the memorandum of association.

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**Article (182)**

**Documents Prepared at the End of the Fiscal Year**

For each fiscal year, the executive directors shall prepare the following documents within three months of the end of the fiscal year:

A. The company’s balance sheet.

B. Profit and loss account.

C. An annual report on the company’s activities and financial position.

D. Proposals for the distribution of profits.

The managers shall sign the said documents. The documents and others, such as the accounts of the company, must represent its actual financial position.

The managers shall send to the Ministry a copy of the balance sheet, the profit and loss account, the annual report, and the auditor’s report within ten days from the date of preparing these documents.

**Part Six**

**Single Person Company**

**Article (183)**

**Who Has the Right of Incorporation**

A single person company shall mean any economic activity whose capital is wholly owned by one natural or legal person.

Any natural person who meets the necessary qualifications, as well as any legal entity whose purposes shall include the incorporation of such companies, shall have the right to be a founding party in a single person company.

**Article (184)**

**The Company Acquiring the Capacity of a Legal Person**

The owner of the company’s capital, or whoever he authorises, shall register it in the Commercial Register and publish it in the Official Gazette, as well as in one of the local newspapers, at the expense of the company. The company shall not acquire legal personality until thirty days have passed from the date of its incorporation.

**Article (185)**

**Trade Name of the Company**

The single person company shall have its own trade name or a name derived from the purpose of its incorporation, and its name shall be associated with the name of the capital owner and followed by the phrase Single Person Company (S.P.C.).

The company’s headquarters shall be in the Kingdom of Bahrain, and it shall also carry out its main activities therein.

**Article (186)**

**Capital Owner Liability**

The company owner shall not be liable for its obligations except to the extent of the capital allocated to the company. As an exception, he shall be liable for the obligations of the company with his own funds in the following cases:

1) If he, in bad faith, liquidates it or suspends its activity before the expiry of its term or before achieving the purpose of its incorporation.

2) If he does separate his personal interest from the company’s interest.

3) If he carries out business for the company under incorporation before the lapse of thirty days from the date of its registration.

**Article (187)**

**Impermissibility of the Company to Carry Out Certain Activities**

The single person company shall not undertake insurance or banking business activities or investment funds for the account of third parties in general.

**Article (188)**

**Public Subscription Ban**

It shall not be permitted to incorporate a single person company, increase its capital, or borrow for its account through public subscription, and it shall not be permitted to issue shares or convertible bonds to shares.

**Article (189)**

**The Company’s Capital**

The capital of a single person company shall be fifty thousand dinars, paid in full.

**Article (190)**

**Shares Type**

If the company’s capital includes material or intangible in rem shares at the time of its incorporation, their value shall be estimated by a relevant expert.

**Article (191)**

**Company Management**

The company shall be managed by the owner of its capital, and he shall have the right to appoint one or more managers to represent it before courts of law and third parties and be responsible for its management before the owner.

**Article (192)**

**Termination of the Company**

The company shall terminate in the case of:

A- The death of the capital owner, unless the shares of the heirs are combined into the hands of one single person or if the heirs choose to continue it in another legal manner, within a maximum of six months from the death.

B- The termination of the legal person who owns its capital.

**Article (193)**

With the exception of the provisions of the preceding Articles, the provisions regulating the limited liability company shall apply regarding the single person company, in a manner that does not conflict with its provisions.

**Part Seven**

**Holding Company**

**Article (194)**

**Purpose of Incorporating Holding Companies**

Taking into account the provisions of Article (203) of this Regulation, a holding company shall aim to:

A. Owning shares in Bahraini or foreign joint stock companies.

B. Owning shares in Bahraini or foreign limited liability companies.

C. Participation in the incorporation of the two types of companies stipulated in the previous two clauses.

D. Working on the management of the companies referred to in the previous clauses and lending and guaranteeing them to third parties.

In all cases, the holding company shall own more than half of the capital of the subsidiary.

**Article (195)**

**Forms of Holding Companies**

Holding Companies shall take one of the following forms:

A. A- Joint stock company.

B. Limited liability company.

C. Single person company.

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**Article (196)**

**Trade Name of the Holding Company and its Introduction in its Correspondences and Publications**

The Holding Company shall have a trade name.

All contracts and documents issued by the company and addressed to third parties, such as correspondence, invoices, notifications, papers, publications, correspondence, and other documents issued by it, all shall bear the trade name of the company preceded or followed by the phrase “Holding Company”.

**Article (197)**

**Forms of the Subsidiary Company to the Holding Company**

The subsidiary company shall take one of the following forms:

A- A Bahraini or foreign joint stock company.

B- A Bahraini or foreign limited liability company.

**Article (198)**

**The Holding Company’s Incorporation of the Subsidiary Company**

The holding company shall have the right to incorporate the subsidiary jointly with one or more other holding companies, public or private legal persons, or natural persons.

**Article (199)**

**Introduction of the Company in its Correspondences and Publications**

All contracts and documents issued by the subsidiary and addressed to third parties, such as correspondence, invoices, notifications, publications, and other documents, shall bear the name of the company and its address, preceded or followed by the phrase “Subsidiary Joint Stock Company—or Limited Liability Company” in clear, legible letters, along with indicating the name of the holding company to which the subsidiary belongs, as well as the company’s headquarters.

**Article (200)**

It shall be prohibited for the subsidiary of a holding company to own shares or stakes in the holding company owning it.

**Article (201)**

The subsidiary shall be subject to the provisions of the company that has taken its form and shall be subject to its provisions that are stipulated in the Law and this Regulation.

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**Article (202)**

**Appointment of the Holding Company’s Representatives**

The holding company shall appoint representatives to the Boards of Directors of its subsidiary companies, in proportion to its shareholding or what is agreed upon with the shareholders or other partners in the subsidiary company.

**Article (203)**

**Objectives of the Holding Company**

The objectives of the holding company shall be limited to the following duties:

A. Managing its subsidiaries or participating in the management of other companies in which it owns shares, as well as providing support thereto.

B. Providing loans, guarantees, and financing to its subsidiaries.

C. Investing funds in shares, bonds, and other securities.

D. Owning real estate and movables necessary to carry out its activity within the permissible limits, in accordance with the applicable laws.

E. Owning and utilising industrial property rights, including patents, trademarks, franchises, and other intangible rights, and leasing the same to its subsidiaries or third parties.

**Article (204)**

**Incorporating Methods of a Holding Company**

The holding company shall be incorporated in one of the following ways:

A. To incorporate a company whose purposes shall be limited to the activities stipulated in the previous Article, or in any of them.

B. To incorporate a subsidiary of it or own shares in joint stock companies or shares in limited liability companies, in order to carry out the purposes referred to in the previous Article.

C. Amending the purposes of an existing company to a holding company, in accordance with the provisions of the Law.

**Article (205)**

**Consolidated Balance Sheet**

The holding company shall prepare at the end of each fiscal year a consolidated balance sheet and profit and loss statements for the holding company as well as for all its subsidiaries, along with the clarifications and data prescribed, in accordance with the requirements of the international accounting principles.

**Article (206)**

The holding company shall be subject to the provisions of the company that has taken its form, and shall be subject to its provisions that are stipulated in the Law and this Regulation.

**Part Eight**

**Companies Transformation**

**Chapter One**

**Company Transformation by Force of Law**

**Article (207)**

The limited liability company shall be transformed into a single person company by virtue of the Law, in the following two cases:

A. If the number of partners in the limited liability company is less than two, it shall be transferred by force of Law to a single person company, unless the company completes this quorum within thirty days from the date of the company’s shares concentrating in the hands of one single partner.

B. If the shares of the limited liability company are concentrated in the hands of one single partner, it shall be transformed into a single person company unless the company is dissolved.

**Chapter Two**

**Optional Transformation of Companies**

**Article (208)**

It shall be permissible for any company to transform from one legal form to another, in accordance with the provisions stipulated in Articles from (305) to (311) of the Law.

**Part Nine**

**Company Merger**

**Article (209)**

**Merger Methods and the Concerned Issuing Party**

A) The merger shall be in one of the following two ways:

1) By annexation, which shall be the dissolution of one or more companies and transferring their liability to an existing company.

2) By amalgamation, which shall be the dissolution of two or more companies and the incorporation of a new company to which each of the merged companies will transfer.

B) A decision to merge shall be issued by each company in accordance with the conditions prescribed for amending its memorandum of association or articles of association.

**Article (210)**

Merger, whatever its method, shall not result in any monopoly of a particular economic activity, commodity, or product.

**Article (211)**

**Rights of Creditors**

The merger decision shall be published in the Official Gazette and in one of the local daily newspapers, as well as it shall be registered in the Commercial Register.

Holders of rights arising before the publication of the merger may object to the merger within sixty (60) days of the date of such publication by registered letter with an acknowledgement of receipt within sixty days from the date of this publication. In this case, no argument may be used against them in respect of the results of the merger, unless:

A. The creditor assigns the objection.

B. The company takes the objection matter to the competent court, which passes a final ruling rejecting it.

C. The company pays the debt if it was due.

D. The company provides adequate guarantees to pay the debt if it is not payable.

**Article (212)**

**Effectiveness of Merger**

By the lapse of the period referred to in the previous Article, without objection arising in the merger decision by the holders of the rights, the merged company or the company resulting from the merger shall be considered a general successor to the merged companies and shall be replaced by legal subrogation in their rights and obligations, and the legal personality and financial liability of the merged company shall be eliminated.

**Article (213)**

In the case of a merger by way of annexation, the following shall be taken into account:

A. The surplus capital shall be distributed among the partners in the merged companies in proportion to their stakes therein. If the stakes are represented in shares, it shall be permitted for them to be negotiable once they are issued. If one year has passed since the incorporation of the merged company or the one resulting from the merger.

B. It shall be permitted for shares given in exchange for the capital of the merged company to be negotiable once issued, if one year has passed since the incorporation of the merged company, all in companies whose shares are negotiable.

**Article (214)**

In the case of a merger through amalgamation, it shall be taken into account that the shares of the company resulting from the merger may be traded once issued, if one year has passed since the incorporation of each of the merged companies.

**Article (215)**

The Ministry shall have the right to verify whether the assets and liabilities of companies wishing to merge have been correctly estimated through experts or through the committee stipulated in Article (9) of this Regulation.

**Article (216)**

**Right of Bondholders**

It shall be required for the merger of joint stock companies which have sought loans by way of issuing bonds, to obtain the approval of the Bondholders’ Authority of the merger decision by the majority of two-thirds of those representing the loan bonds, or else the company shall settle the debt in a manner approved by the Authority by the mentioned majority.

The representative of the Authority shall object to the merger decision in accordance with Article (211) of this Regulation, if the Authority cannot convene or does not approve the merger or settlement decision.

**Article (217)**

**‎Draft Merger Agreement**

The companies involved in the merger shall prepare the draft merger agreement, provided that it includes the following data:

A. The reasons for the merger, its purposes, and the conditions on which it was based.

B. Initial estimation of the value of assets and liabilities of merged companies, taking into account the actual value of the assets.

C. The date that serves as the basis for calculating the assets and liabilities of merged companies.

D. Way to determine the rights of shareholders or partners in new companies, or in the company or merged companies, and the in merging company.

A report shall be attached to the draft agreement on the basis of which the initial estimation of assets and liabilities was made, provided that it shall be clear from the report the reasons for determining the rights of shareholders and partners after the merger, as stated in the agreement.

**Article (218)**

**Competence to Approve the Merger Agreement**

The competence to approve the merger shall be as follows:

A. Extraordinary General Assemblies in joint stock companies, and by the majority stipulated in Article (212) of the Law.

B. Extraordinary General Assemblies in a limited partnership by shares company, and taking into account the provisions stipulated in both Articles (258, 257) of the Law.

C. The General Assembly of the partners in the limited liability company, and as stipulated in Article (285) of the Law.

D. Approval of all partners in the joint liability company and in the limited partnership company.

The approval of the merger contract shall be issued by the extraordinary assemblies or partners as referred to in each of the merging companies and the merged companies.

**Part Ten**

**Termination of the Company**

**Chapter One**

**Dissolution of the Company**

**Article (219)**

The company shall be dissolved for one of the reasons stipulated in Article (320) of the Law, taking into account the provisions stipulated in Articles from (321) to (324) thereof.

**Chapter Two**

**Second: Liquidation of the Company and the Division of its Funds**

**Article (220)**

Every company after its dissolution shall be deemed to be in state of liquidation.

**Article (221)**

During the liquidation period, the company shall retain the legal personality to the extent necessary for the liquidation work, provided that the phrase “under liquidation” shall be added to the name of the company during this period, and the authorities of the company shall remain in existence, and their authority shall be limited to liquidation work that shall not fall within the competence of the liquidators.

**Article (222)**

The provisions stipulated in the company’s memorandum of association or articles of association shall be followed in liquidation. In case the memorandum of association or articles of association do not contain such provisions, the provisions set forth in Articles from (328) to (344) of the Law shall be followed, taking into account the provisions of the following Articles.

**Article (223)**

The liquidator shall publish the decision or ruling stipulated in Articles (329) and (330) of the Law or the end of the liquidation stipulated in Article (343) of the Law by registering it in the Commercial Register within five working days from the date of its issuance. The liquidator shall also publish the decision, ruling, or finalization of the liquidation work in one of the local daily newspapers within five working days from the date of the registration in the Commercial Register.

**Article (224)**

The liquidator appointed by the partners, the Extraordinary General Assembly, or by a court order shall not have the right to delegate others to complete the liquidation work.

**Article (225)**

The liquidator shall be considered an representative for the company and not for its creditors.

**Article (226)**

The liquidation works shall end with the ratification of the partners or the General Assembly on the closing account submitted by the liquidator about the liquidation works.

**Article (227)**

The entry of the end of the company liquidation shall entail the end of its legal personality, so that it cannot return to practising its activities until it is re-incorporated.

**Article (228)**

The liquidator shall, on the day following the entry of of the end of the company liquidation, request striking off the company’s name from the Commercial Registry.

**Article (229)**

The phrase “disputed debts” in Article (335) of the Law shall mean debts raised before the courts of law, and debts that have not yet been raised, provided that they shall have an asset/original copy in the company’s documents.

**Part Eleven**

**Foreign Companies Practising their Activities in the Kingdom of Bahrain**

**Branches, Offices, and Agencies of Foreign Companies**

**Chapter One**

**Foreign Companies Practising their Activities in the Kingdom of Bahrain**

**Article (230)**

The provisions of the Commercial Companies Law shall apply to foreign companies incorporated abroad and carrying out their activities in the Kingdom of Bahrain, except for the provisions relating to incorporation.

**Article (231)**

The competent directorate shall maintain a dedicated register to record the names of foreign companies incorporated abroad carrying out their activities in the Kingdom of Bahrain, indicating the name of the company, its headquarters, the activity it carries out in Bahrain, the date of its registration, its number in the Commercial Register, and all other data related to it.

**Chapter Two**

**Branches, Offices, and Agencies of Foreign Companies**

**Article (232)**

Taking into account other legislations, in a manner that does not contradict the provisions of the Commercial Companies Law, companies incorporated abroad shall have the right to establish branches, agencies, or offices in the Kingdom of Bahrain, taking into account the provisions stipulated in Articles from (347) to (350) of the Law, as well as the provisions of the following Articles.

**Article (233)**

The foreign company shall obtain a licence from the competent authorities in the Kingdom of Bahrain before applying for a licence request to incorporate branches, an office, or an agency for it to the Ministry.

**Article (234)**

The request of a foreign company for a licence to establish a branch, office, or agency shall include the following information:

A. The name of the company, its type, its headquarters, and the states in which it operates.

B. The type of activity, specialisation, or type of operations for which the establishment of a branch, office, or agency shall be requested in the Kingdom of Bahrain.

C. The main activities carried out by the company abroad and its previous experiences.

D. The name of the Bahraini sponsor and his domicile, and if the sponsor is a legal person, it shall then be required to indicate his legal form, capital, the names of partners, and their nationalities.

E. Provide the necessary guarantee, if any.

F. The name of the person entrusted with the management of the branch, regardless of his capacity.

**Article (235)**

The licence request shall be accompanied by the following documents:

A. An official certificate from the competent authorities in the state where the foreign company is registered, indicating that the company is incorporated and registered in that state in accordance with the applicable laws. The certificate shall include the legal form of the company, its capital, the names of responsible representatives, their capacities, and the limits of their powers.

B. The decision of the company’s competent authority to open a branch, office, or agency in the Kingdom of Bahrain, along with the guarantee issued in this regard for the company’s representative who applied for the request, provided that these documents shall be notarized.

C. The notarized memorandum of association or articles of association of the company, as the case may be.

**D.**The most recent approved budget, accompanied by the auditor’s report, ratified by the competent government authorities.

**Article (236)**

The competent department shall maintain a dedicated register for the registration of branches, offices, and agencies of foreign companies incorporated in Bahrain, indicating the name of the original company, its headquarters, and the activity it carries out in the Kingdom of Bahrain, the date of its registration, and its number in the Commercial Register.

**Article (237)**

It shall not be permissible for the branch, office, or agency to carry out its activities before their registration in the Commercial Register; otherwise, the persons who carried out any activities before the registration in the Commercial Register shall be personally and jointly liable for these activities.

**Article (238)**

All documents submitted to the Ministry shall be in Arabic or English. If it is issued in languages other than these two, an Arabic translation ratified by the competent authorities shall be attached thereto.

**Article (239)**

Each branch, office, or agency of a foreign company shall have the full name of the foreign company, its address, and its headquarters, as well as the name of the representative—if any—printed on all its papers, documents, and publications. Along with mentioning the address and registration number of the branch, agency, or office in the Commercial Register and the name of the Bahraini sponsor. All of this shall be in either Arabic or English and in a legible format.

**Article (240)**

Each branch, office, or agency of a foreign company incorporated in the Kingdom of Bahrain shall have a trade name identical to the name of the original company.

**Article (241)**

The Ministry shall have the right to inspect branches, offices, and agencies and to access their books and documents, in order to ensure that they comply with the provisions of the Law and do not deviate from what is permitted.

**Article (242)**

The Minister shall have the right to, by a decision he issues, exempt the foreign company from the conditions of the assurance if the company takes its branches or offices in the Kingdom of Bahrain as a regional centre or a representative office for its activities.

**Part Twelve**

**Supervision and Inspection**

**Chapter One**

**Supervision**

**Article (243)**

The Ministry shall supervise companies subject to the provisions of the Commercial Companies Law in terms of implementing its provisions and the provisions of the articles of association of these companies, as well as monitoring the validity of their execution.

**Article (244)**

Supervision, attending General Assemblies, and recording reports on any violations of the provisions of this Law shall be carried out by those delegated by a decision from the Minister, who shall have the power of Judicial Control. Such reports shall be referred to the public prosecution by a decision from the Minister, or whoever he authorises in this regard.

**Article (245)**

The Ministry shall have the right to send a representative of it to attend the the General Assemblies, and he shall not have a counted vote in the deliberations, nor shall he submit a report of his observations to the Ministry.

**Article (246)**

The Boards of Directors of companies, managers, or auditors shall submit to the Ministry any documents, budgets, or business results at any time upon the request of the Ministry.

**Article (247)**

Any person who is not a party to the company shall be deemed to be a third party to it.

**Article (248)**

What is stipulated in the previous Article shall not prejudice what is stipulated by Law for the Directorate of Commerce and Companies Affairs within its inherent competence as a government entity authorised with the authority of supervision and supervision over companies subject to the provisions of Law No. (21) of 2001.

**Chapter Two**

**Inspection**

**Article (249)**

**Inspection of the Company’s Accounts and Activities**

The inspection of the accounts and other activities of companies subject to the provisions of the Law shall be by a decision from the Minister in the following two cases:

A. When necessary.

B. At the request of partners representing one quarter of the company's capital.

**Article (250)**

**Inspection of Violations Attributed to the Board of Directors, Managers, or Auditors**

Partners who own at least one quarter of the capital shall have the right to request the Minister conduct an inspection on the company regarding violations attributed to the Chairman, members of the Board of Directors, managers, or auditors in the performance of their duties as determined by the Law or the articles of association.

The request shall be accompanied by the following documents:

A. An official certificate stating that the applicants own at least one quarter of the capital of the company to be inspected.

B. Evidence of payment of the prescribed fee.

C. A memorandum signed by its applicants stating the purpose for which they requested permission for inspection, as well as the reasons or evidence and justifications on which the request was based.

D. If the applicant is a public or private legal person, a true copy of the competent authority’s approval of the inspection request shall be submitted.

The Ministry shall respond to the inspection request after ascertaining the seriousness of the reasons on which the request is based.

**Article (251)**

The competent directorate shall prepare a dedicated file for each inspection request, in which the papers and documents attached to the inspection request shall be deposited. The statement of the papers and documents attached to it and the date of their deposit, and their number shall be affixed to the inside of the file cover, and the request number and the name of the company to be inspected shall also be affixed to the outside of the cover.

**Article (252)**

The competent directorate shall send a copy of the inspection request to the company, accompanied by the memorandum referred to in clause (C) of Article (253), within ten working days at most from the date of submitting the request. The company shall respond to the request in writing within a period not exceeding five working days from the date of receiving it.

**Article (253)**

Each of the applicants for the inspection request and the company shall submit their documents, original and copy, indicating the date and content of each document in consecutive numbers. The original and the documents attached to it shall be kept in the request file, and the copy shall be returned to the applicant after being marked in indication of its receipt.

It shall not be permitted to retrieve documents before the Ministry’s decision is issued on the request, whether by approval or rejection.

**Part Thirteen**

**Final Provisions**

**Article (254)**

- Every commercial company, of any kind, incorporated in the Kingdom of Bahrain or having its headquarters therein, shall be subject to the provisions of the Law and this Regulation.

- As an exception to some or all of the provisions of this Law, it shall be permissible for companies to be incorporated, by virtue of a Decree or Law, between the Government of the Kingdom of Bahrain or the governments of one or more other states.

- Each company incorporated in the Kingdom of Bahrain shall be domiciled in Bahrain. Such company shall be of Bahraini nationality; however, this does not necessarily entail that the company shall be entitled to rights exclusive to Bahrainis.

**Article (255)**

The provisions of the Law and this Regulation shall not apply to companies that the government alone incorporates or contributes to their capital by more than 50%, those whose shares are transferred to the Kingdom, or other public legal persons whose incorporation shall be licenced by Decree, except to the extent that they do not conflict with the conditions that were observed in their incorporation and the provisions stipulated in their articles of association.

**Article (256)**

After paying the prescribed fee, each stakeholder shall have the right to request:

A. Accessing the data maintained by the Ministry regarding the companies subject to its supervision and control.

B. Obtaining a true copy of the data referred to in the previous clause.

The Ministry shall have the right to reject the request referred to in the preceding paragraph if disclosing the required data shall inflict damage to the company, any other authority, or the public interest.

**Article (257)**

Except for the companies for which an exception shall be issued by a decision of the Council of Ministers, every company incorporated before 1 January 2002, the date of the entry into force of the Law in a manner contrary to its provisions, shall promptly amend its memorandum of association in accordance with the provisions of the Law, within a period not exceeding three years from the mentioned date. Otherwise, the company shall be obligated to initiate its liquidation.