

Bahrain Commercial Companies Law : Amendments announced

September 2020

His Majesty King Hamad issued (on 28 September 2020) decree no 28 of 2020 amending certain provisions of the Bahrain Commercial Companies Law (BCCL) (law no 21 of 2001). The amendments are aimed at bringing the BCCL in line with international best practice. Some of the amendments may require Companies in Bahrain to make changes to their current structure.

Single Person Company (SPC)

SPCs have been merged with limited liability companies. Therefore, existing SPCs will be required to convert into a 'With Limited Liability' (WLL) company within 6 months of the announcement date.

Number of shareholders for a WLL

To facilitate the conversion of an SPC into a WLL, a WLL can have one or more (no limit) shareholders. Previously WLLs required a minimum of 2 and could only have a maximum of 50 shareholders. The share capital of WLLs must be divided into equal shares.

Minimum share capital requirements

The minimum share capital requirement for a WLL has been removed. However, certain activities may still require a WLL to be formed with a minimum share capital.

Boards

Nominees for board membership need to disclose certain information (such as the person's credentials, conflicts) to shareholders prior to standing for election. Audit committee members must also be members of the board. The chairperson's powers can only be delegated to another board member or executive management of the company.

Remuneration

The remuneration (including non-cash benefits) of executive management and directors must be disclosed in the board report to the annual general meeting. Where the company is loss making ministerial approval may be required for remuneration paid to board members.

Preference shares

Companies may issue preference shares (for example, no voting rights but a preferred right to dividends).

Statutory reserve

Subject to CBB rules, statutory reserves may be used to increase the capital of the company to cover any losses which result in a decrease in the company's share capital. If the reserves exceed 50% of the issued share capital, the company may decide in prescribed circumstances to distribute the excess to shareholders.

Strategic shareholders

Subject to certain conditions and approval from the MoICT and in certain cases, CBB approval, a company can issue shares to strategic shareholders. This will need to be confirmed but this is presumably in situations where certain activities are restricted to Bahraini or GCC held companies and the Government wishes to encourage investment in certain sectors.

Mergers and acquisitions

Provisions have been introduced to facilitate mergers and acquisitions.

Employee shares plans

Companies are required to disclose full details of the terms and conditions of any employee shares plans.

Share capital increases

Joint stock companies may increase capital by:

- converting debt for equity
- converting bonds into shares
- accepting in-kind contributions
- issuing convertible bonds
- converting the reserve or distributable profits

Limited partnerships

Limited partnerships may adopt a trade name.

Not for profit companies

A new chapter has been introduced to regulate not for profit companies. Not for profit companies may be set up as a WLL.

Contact us:

**Philippe Norré**

Partner, Head of Tax & Corporate Services

T: +973 17201400

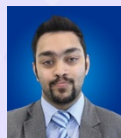
E: pnorre@kpmg.com

**Mubeen Khadir**

Partner

T: +973 17201454

E: mubeenkhadir@kpmg.com

**Ali AlMahroos**

Director

T: +973 17201459

E: aalmahroos@kpmg.com

**Shawqi AlAlawi**

Senior Manager

T: +973 17222319

E: salalawi@kpmg.com

**Nik Faiziman Affandi**

Manager

T: +973 17201457

E: naffandi@kpmg.com

**Mansoor Al Wadaie**

Manager

T: +973 17224807

E: malwedaie@kpmg.com

<https://home.kpmg/bh>

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