

Amendments to Bahrain Commercial Companies Law

The Bahrain Commercial Companies Law (BCCL) have been amended as on 28 September 2020, with the issuance of Decree No 28 of 2020, to create a level-playing field and also to adopt international standards.

The key highlights related to the amendments of BCCL have been summarized below with a focus on [a] Forms of entity, [b] Sourcing funds; and [c] Other aspects, for your considerations:

a) Forms of entity

Forms of entity	Amendments	For your considerations
Single Person Company (SPC)	<ul style="list-style-type: none"> The existing provisions related to SPC have been deleted and replaced with Limited Liability Companies (LLC) Six months time have been granted for existing SPC to convert into LLC 	<ul style="list-style-type: none"> Re-visit the existing SPC model and consider adequate steps for conversion; or Consult for efficient model to be compliant with amendments
Limited Liability Companies	<ul style="list-style-type: none"> Limits on number of shareholders permitted (i.e., maximum and minimum) have been removed Minimum nominal value of shares have been removed, fifty Bahraini Dinar (BD) earlier 	<ul style="list-style-type: none"> Conversion to a Joint stock company (due to exceeding the limit of shareholders within LLC) may not be necessary Value of shares can be below fifty BD
Not for Profit Companies	<ul style="list-style-type: none"> A new chapter have been inserted to regulate not for profit companies (may be an LLC with restrictions on distributions and fund transfers) 	<ul style="list-style-type: none"> Re-evaluate the existing model and take adequate steps, if the business model falls under "Not for Profit model"
Simple Partnership Companies	<ul style="list-style-type: none"> Specific provisions have been inserted to regulate Simple Partnership Companies (though it existed earlier and not defined by the law) 	<ul style="list-style-type: none"> Analyse the existing form of entity and evaluate if simple partnership companies may be efficient based on the purpose

b) Sourcing funds

Funding	Specific provisions have been inserted
For Joint stock companies	<ul style="list-style-type: none"> To issue preference shares (subject to conditions) Closed Joint Stock Company can increase capital by issuing Convertible Debentures (subject to conditions)
Choices for increasing capital	<ul style="list-style-type: none"> To increase capital by way of Loan Bonds, Convertible instrument, in-kind capital contributions and Convertible Debentures

c) Other aspects

Parameters	Amendments
Audit committee composition	Audit committee members would need to be part of Board members
Employee stock option plan	Companies permitted to issue stock option plan to motivate employees
Strategic shareholders	Increase in capital permitted subject to infusion of strategic shareholders
Waiver of pre-emption rights	In case of convertible instrument and employee incentive program
Disclosure requirements	Board member and executive management remuneration details to be disclosed to shareholders for good corporate governance practice
Delegation of authority	Chairman to authorise subject to specific mention in Charter Documents
Utilization of legal reserve	Provisions related to legal reserve revised to accommodate increasing capital or covering losses ,if such reserve exceeds 50% of Capital

How we can help :

- Appraise you in detail on key developments based on amendments within BCCL;
- Support you in evaluating the existing form of entity, capital structure and other aspects – in order to advise you on key components impacting the organisation, based on amendments to BCCL; and
- Support you with compliance process (as necessary)

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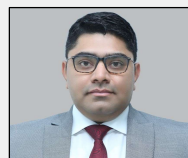
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