

Alert | Amendments to the BCCL

Kingdom of Bahrain | 29 September 2020



Decree 28 of 2020 - issued on 28 September 2020 - amends certain provisions of the Bahrain Commercial Companies Law (Law 21 of 2001 or the BCCL). The implementing regulations - which have not yet been issued - will clarify procedural mechanisms.

The amendments are part of ongoing efforts to develop compliance and regulatory frameworks, helping to align Bahrain with international leading practice. Our initial analysis of the amendments suggests a number of significant changes - some of them to aspects of the law that have remained unchanged since 2001:

Single person companies:

- S.P.C.s must adjust to with limited liability companies (w.l.l.s) within the next six months.

Number of partners for w.l.l.s:

- W.l.l.s can have a single (natural or legal) partner with no upper limit.

Nominal value for w.l.l.s:

- Minimum nominal share value requirements have been removed.

Transparency:

- Reports of the board of directors must disclose remuneration, benefits and shares received by executive management as well as directors.

Capital increases for joint stock companies:

- Loan bonds and debts can be converted to capital with in-kind capital contributions also accepted.
- Convertible bonds can be issued to raise capital.

Non-profit companies:

- Non-profit-making companies can be established as w.l.l.s.

Preference shares:

- There is a specific reference to the issuance of preference shares.

Delegation of powers:

- The powers of the chair can only be delegated to another director or a member of executive management.

Audit committees:

- Audit committee members must be members of the board.

Board appointments:

- Candidates standing for election to a board must disclose information to shareholders – CVs, involvement with competitors, other board memberships and other time-consuming activities

Employee share options:

- Employee share incentive schemes are included in the amendments, requiring full disclosure of terms to employees

Strategic partners:

- Companies can admit strategic partners to increase capital.

Waivers of pre-emption rights

- Pre-emption rights have been waived where shares are issued for employee incentive programmes, to admit a strategic partner or to convert debt to capital.

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Disclaimer: This alert is based on an unofficial translation of decree 28 of 2020 issued on 28 September 2020 and is for general information only. Seek professional advice in relation to your particular circumstances.

To understand how you and your business will be affected, contact our CAS team.