



Legal Requirements Relating to Companies

Company Type	Definition	Primary Requirements	Important Notes
Public Shareholding Company (BSC)	Such types of company consist of a number of partners who underwrite negotiable shares with no liability for the company's debts and obligations except by the amount of the value of their shares.	<ul style="list-style-type: none"> - The share capital is required to be adequate to achieve the purposes of a company with share capital not less than 1 million BD. - The company is required to have an issued share capital and the articles of a company may specify an authorised share capital not to exceed ten times the issued share capital. The issued share capital is required to be fully underwritten where all the underwriters are required to pay at least a quarter of the nominal value of cash shares provided that the rest of such value shall be paid within a period not exceeding five years as of the date of incorporation. - The shares of a shareholding company shall be issued with their nominal value and may not be issued with less value. If such shares are issued with higher value, the increase shall first be allocated to fulfil the issue costs, then the legal reserve. - The share shall be indivisible, however, two persons or more may hold one or a number of shares where they shall be represented before the company by one person and the joint partners shall be jointly liable for the obligations of such an acquisition. - The shares shall be nominal and negotiable. - The company is required to appoint an auditor or more who shall prepare, at each fiscal year, a report on the activity of the company during the fiscal year, its financial position, budget, and profit and loss account. - 10% of net profit shall be deducted per annum to be allocated to a statutory reserve account unless the articles of the company specify a higher percentage. Such a deduction may be suspended if the reserve reaches 50% of paid-up share capital unless the articles of the company specify a higher percentage. - The shareholding companies are entitled to borrow by means of issuing bonds by a resolution of the ordinary general meeting and based on a suggestion from the board of directors, including the company's need for borrowing and the conditions of issuing bonds. 	<ul style="list-style-type: none"> - The number of founders may not be less than two, save for companies that the government solely establishes or participates in their incorporation. - The share value may not be less than 100 Fils and not more than 100 BD. - Shareholding companies may be incorporated into a variable share capital according to the Ministerial Resolution.



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Closed Shareholding Company (Closed BSC)	Such types of company consist of a number of persons, no less than two, who underwrite negotiable shares among themselves and without underwriting such shares in public.	<ul style="list-style-type: none"> - The minimum share capital of the company shall be 250,000 BD. - The share value may not be less than 100 Fils and no more than 100 BD. - The company is required to appoint one auditor or more. - The entire value of shares, or at least 50% thereof, shall be deposited at approved banks provided that the remaining value of shares is fulfilled with a period not exceeding 3 years. - The shares of closed shareholding companies shall not be traded except after fulfilling the entire value of shares save for the trading operations implemented by the founders during that period. - The share capital of a company (100%) may be owned by non-Bahrainis. 	<ul style="list-style-type: none"> - Save for companies listed on the stock exchange, the articles of closed shareholding companies may contain a restriction of the shareholder's right to dispose of their shares in both of the registers or one of them (shareholder preferential right to purchase after consent of Board on the share buyer). It shall be excluded from the two registers in case of disposition between shareholders, spouses, assets, and subsidiaries and the company shall not be listed on the stock exchange if the articles of the company contain any of these two registers. - If the share capital of the company increases, shareholders shall have the priority to underwrite new shares.
Limited Liability Company (llc)	A company with a maximum of 50 partners where none of them is liable except by the amount of their share in the share capital of the company.	<ul style="list-style-type: none"> - There is no minimum share capital. - The share capital of a company is divided into equal shares with a value no less than 50 BD each. The share shall not be indivisible or a non-negotiable share. - The company shall not be incorporated unless all cash and in-kind shares are distributed among the partners as well as being fully paid and the in-kind shares are delivered to the company. - The company shall maintain a reserve share capital as per the prescribed rules for the shareholding companies. - The company is required to appoint one auditor or more who shall be selected by the general meeting of partners. - The partners may submit a letter of assurance by the auditor as an alternative to the financial report unless the loss reaches 50% of the share capital. 	<ul style="list-style-type: none"> - If the number of partners is less than two shareholders, then the company shall be converted by law to a single person company unless the company completes the quorum within 30 days from the date of acquisition of the company shares by one partner or the dissolution of the company. - The limited liability company shall not be responsible for the business relating to insurance, banks, or investment of others' funds in general. - Neither incorporation of the company, increase in its share capital, nor borrowing for its account may be done by underwriting shares in public. - The company may not issue negotiable shares or bonds of any kind. - Transfer of shareholders' shares shall be subject to redemption from partners and the special conditions stated within the Memorandum of Association in addition to what is prescribed thereon.



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Joint Liability Company	A company that consists of two persons or more under a certain name and the partners shall be jointly liable for all their funds and the obligations of the company.	<ul style="list-style-type: none"> - The partners shall be jointly and personally liable in all their funds for the obligations of the company. - The partner shall acquire the capacity of merchant. 	<ul style="list-style-type: none"> - The law permitted to establish joint liability companies, whatever their kind, between Bahraini and non-Bahraini partners in terms of the practice of freelance jobs or others in accordance with rules and controls issued by a resolution from the MOITC. - Bankruptcy of a joint liability company shall lead all partners to bankruptcy. - The creditors of a joint liability company shall have the right to recourse against the company in its funds and they are also entitled to recourse against any partner that was a member at the time of contracting their own funds.
Limited Partnership Company	A company that consists of one person or more who are jointly liable in all their funds for the obligation of the company and between one partner or more who have funds therein and are not part of the administration; they are called limited partners. None of the limited partners shall be liable for the obligation of the company except by the amount of their share in the share capital.		<ul style="list-style-type: none"> - The limited partner may not interfere in managing the company even under power of attorney, otherwise he shall be jointly liable with the joint partners for the obligations resulted from such works. - The name of a limited partnership company shall only include the names of joint partners, so in case of being a single joint partner, the term "& Co." is required to be added to his name. - If the limited partner name appears in the name of a company, they shall be liable as a joint partner towards well-meaning third parties that dealt with the company (if their name is mentioned with their knowledge).



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Limited by Shares Company	A company that consists of two classes of partners, one of which is the class of joint partners who are jointly liable in all their funds for the obligation of the company and the other class is the limited partners (shareholders) who are not liable for the obligations of the company except by the amount of their shares in the share capital.	<ul style="list-style-type: none"> - The number of founders shall not be less than 4. - The company is required to appoint one auditor or more. - The minimum share capital of a company shall be 20,000 BD. - The share capital of a company shall be divided into par value, negotiable, and indivisible shares. 	<ul style="list-style-type: none"> - The limited partner (shareholder) may not interfere in managing the business of the company relating to third parties even if based on an authorisation. - If the limited partner name (shareholder) appears in the name of the company without knowing the same, they shall be deemed a joint partner towards the wellbeing of the third parties they dealt with. - The name of the company consists of the name of one joint partner or more and a designation that is innovative or derived from the purpose thereof may be added to the name of the company. - Each legal person, which its purposes include the purpose of incorporation of such company may be a founder. - The company shall have a supervision council consisting of at least 3 members where the constituent assembly of the company shall elect among them the limited partners (shareholders) if their number exceeds 10. - The term of a supervision council shall expire upon the holding of an ordinary general meeting of a company.
SPC	Each economic activity whose share capital is fully owned by one natural or legal person. The owner of company share capital shall not be liable for the obligations of the company except by the amount of the allocated share capital for the company.	<ul style="list-style-type: none"> - The share capital of a company shall be fully paid. The owner of the company shall be liable within the limits of the specified share capital of the company. - The company shall have an auditor. - The company shall submit an audited budget per annum to the Company Affairs Directorate or a letter of assurance by the auditor as an alternative to the financial report unless the loss reaches 50% of the share capital. 	<ul style="list-style-type: none"> - The single person company shall not under take any business related to insurance, banks, or investment of others' funds in general. - Neither incorporation of a company, increase of its share capital, nor borrowing for its account may be done by underwriting shares in public. As well, no transferable shares or bonds may be issued thereto. - The owner of company share capital shall differentiate between their personal financial disclosure and the share capital of the company. <p>The company shall be dissolved in the following cases:</p> <ul style="list-style-type: none"> - Death of its owner unless the right of heirs in the share capital of the company and its assets is confined to one person or the heirs decide to continue the company by turning it and taking another legal form. - The company shall cease to practise its business due to the insolvency of its owner, failure to pay its liabilities, or its bankruptcy.



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Foreign Branch	Each foreign branch, incorporated and registered outside the Kingdom of Bahrain, that is licensed to practise certain business in Bahrain.	<ul style="list-style-type: none"> - Head office for the branch in Bahrain is required. - All the documents submitted to establish the company must be in Arabic or English. In case of being written in another language other than these two languages, then an Arabic or English translation certified by a competent authorities shall be attached therewith. - The branch is required to have a brand name identical to the original name of the company and followed by the statement "Foreign Branch". - The branch is required to submit an audited annual financial statements showing the financial position of the company. - The branch shall be subject to the applicable laws in Bahrain. 	
Representative Office	Each foreign branch, incorporated and registered outside the Kingdom of Bahrain, that is licensed to practise its business as a representative office for the parent company so as to follow up and supervise its interests in Bahrain.	<ul style="list-style-type: none"> - Head office for the branch in Bahrain is required. - The representative office shall be subject to the applicable laws in Bahrain. - All the documents submitted to establish the representative office are required to be written in Arabic or English. In case of being written in another language other than these two languages, then an Arabic or English translation certified by the competent authorities shall be attached therewith. - Each representative office incorporated in Bahrain is required to have a brand name identical to the name of the parent company and followed by the statement "Representative Office". 	The representative office may not, in any case, practise any direct business with the clients of a company in Bahrain and the branch business shall be confined to the marketing and promotion of a parent company without entering into direct transactions under its name.