



Companies Control Guide after Incorporation

kingdom of Bahrain

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Introduction

After the completion of its incorporation in the Kingdom of Bahrain, companies have a set of requirements that must be adhered to in accordance with the laws and resolutions issued in this regard. Among these requirements are those related to the financial performance and financial statements of the company, the management of the company in accordance with the principles of corporate governance, and some obligations related to anti-money laundering. These requirements differ from one company to another depending on the legal form of the company and its licensed commercial activities.

Obligations and Requirements for Companies after Incorporation

Companies Obligations after Incorporation

General Assembly Meeting for Partners / Shareholders

The general assembly means gathering of partners or shareholders to debate all matters relating to the company and pass the appropriate resolutions in respect thereof. The general assembly or the ordinary general assembly shall convene, as the case be, at least once a year during the first six (6) months following the end of the company's financial year for joint stock companies and limited liability companies only. As for the companies listed and licensed by the Central Bank of Bahrain, they shall convene the assembly at least once a year during the first three (3) months following the end of the company's financial year.

For more information about how to convene general assemblies meetings and their requirements, please visit the (Sijilat) website www.sijilat.bh

- Access the profiler, then select Assembly General Meetings
- Procedures and Conditions

Invitation of the Ministry of Industry and Commerce to Attend the General Assembly Meeting

Public and closed joint stock companies must annually summons the Ministry of Industry and Commerce to attend the ordinary and extraordinary assembly meeting ten (10) days before the general assembly meeting. They shall send the meeting invitation signed by the chairman of the board of directors to the shareholders at least twenty-one (21) days before the date fixed for the meeting **by following these steps:**

- Submitting an application to convene a general assembly in the Sijilat system at least ten (10) days before the general assembly meeting.
- Attach a copy of the shareholders' invitation, the meeting agenda, and documents related to the meeting's agenda items.

How to Submit an Application:

1. Log in to Sijilat online website www.sijilat.bh
2. Select **E-services** and then Select **Meeting Request**
3. Select **General Assembly Meeting Request**

Submitting the General Assembly Meeting Minutes to the Ministry

Public and closed joint stock companies, after convening their ordinary and extraordinary general assemblies, shall submit to the Ministry of Industry and Commerce a copy of the minutes of the general assembly meeting signed by the chairman of the assembly, the auditors - if any - and the numerators of the votes. A copy of the minutes shall be sent to the Companies Control Directorate within fifteen (15) days from the date of the meeting

by following these steps:

How to Submit an Application:

1. Log in to Sijilat online website www.sijilat.bh
2. Select **E-Service** and then Select **Meeting Request**
3. Select **General Assembly Meeting – Status Enquiry**

Appointing an External Auditor

Public and closed joint stock companies, limited liability companies, and branches of foreign companies must annually appoint an external auditor licensed in Kingdom of Bahrain to prepare the audited financial statements of the company.

Submitting an Annual Audited Financial Report or Solvency Letter to the Ministry

Public and closed joint stock companies, limited liability companies, and branches of foreign companies must annually submit to the Ministry of Industry and Commerce an audited financial report approved by an external auditor or a Solvency Letter approved by the aforementioned auditor. For the Ministry of Industry and Commerce to accept the financial report, **the following conditions must be met:**

- The financial report must be submitted through **(Sijilat)** system.
- An external auditor licensed in Kingdom of Bahrain must issue the financial report.
- The joint stock companies' reports must be signed by the chairman of the board of directors and at least one of the members.
- The authorized signatory directors must sign the limited liability companies' reports.
- The report should include the financial statements of the required commercial register (CR) and its branches only and not any other CRs with different numbers.
- The financial reports of the holding companies should be consolidated reports that include all subsidiaries of the parent company, even if the commercial registers' numbers differ.

How to apply for an Application:

1. Log in to Sijilat online website www.sijilat.bh
2. Select **E-services**
3. Select **Annual Report**
4. Enter the financial report details & submit a copy of it

How to enquire an Application:

1. Log in to Sijilat online website www.sijilat.bh
2. Select **E-services**
3. Select **Annual Report**
4. Select Annual Report-Status Enquiry

Board of Directors Meetings

In public and closed joint stock companies, at least 4 meetings of the board of directors must be convened in one year, and the legal quorum is achieved by meeting at least half of the members, provided that the attendance in public joint stock companies is not less than 3, and not less than 2 in closed joint stock companies.

Preparing the Board of Directors' Annual Report

Public and closed joint stock companies and limited liability companies must prepare an annual report to the board of directors or the company's management, as the case may be, on the company's activity during the financial year and to be attached to the annual financial report.

Preparing the Corporate Governance Report and Appointing the Corporate Governance Officer

Public and closed joint stock companies are subject to the management and corporate governance code (except for joint stock companies licensed by the Central Bank of Bahrain and subject to the corporate governance principles issued by the said Central Bank of Bahrain,) **which requires compliance with the following:**

- Appointing a corporate governance officer.
- Providing guidelines and written procedures for governance.
- Preparing an annual corporate governance report according to the form prepared by the Ministry.
- Including a clause on governance in the agenda of the ordinary general assembly annually.

The corporate governance officer must complete the steps for compliance with corporate governance in the (Sijilat) system within the following six months from the end of the company's financial year, by following steps:

1. Log in to Sijilat online website www.sijilat.bh
2. Select **E-Service** and then Select **Corporate Governance**
3. Select **General Assembly Meeting Request**

Note: For more information about corporate governance and its requirements, please visit the (Sijilat) website www.sijilat.bh access the profiler, then select **Corporate Governance**

Corporate Governance Annual Report Status Inquiry

The corporate governance officer can find out the status of the submitted corporate governance report and complete the required additional information, if any by following steps:

1. Log in to Sijilat online website www.sijilat.bh
2. Select **E-services**
3. Select **Corporate Governance**
4. Select **Corporate Governance Annual Report Status Inquiry**

Publishing the Financial Results in a Local Newspaper

The chairman of the board of directors of a public joint stock company shall publish the balance sheet, the profit and loss account and an adequate summary of the annual report and the full text of the auditor's report in a local Arabic language newspapers at least fifteen (15) days before the meeting of the general assembly.

Appointing and Updating the Ultimate Beneficiary

• The Ultimate Beneficiary:

A natural person who owns, controls, or has the ultimate effective influence over the Commercial Register or legal arrangement by any means other than legal ownership. Alternatively, he is the natural person on whose behalf a transaction is being conducted, and the beneficiary may be one or more.

• What are the documents required to identify the final beneficiary in "Sijilat" system?

Fill in the required data fields in the «Sijilat» system, in addition to attaching a copy of the identity documents of the final beneficiary.

How to Appoint the Ultimate Beneficiary:

1. Log in to Sijilat online website www.sijilat.bh
2. Go to **E-Services menu**
3. Select **Ultimate Beneficial Owner**
4. choose **Ultimate Beneficial Owner Registration**

Note: For more information about the ultimate beneficiary, please visit the (Sijilat) www.sijilat.bh access Regulations, then FAQs, then select UBO (Ultimate Beneficial Owner).

Compliance with the Economic Substance Requirements

• What are the activities subject to the economic substance requirements?



Headquarters activities.



Holding company activities.



Shipping activities.



Distribution and service center activities.



Intellectual property activities in Kingdom of Bahrain.



Leasing activities
(other than those activities carried out by entities licensed by the Central Bank of Bahrain).

• How to Submit Documents Related to the Economic Substance?

1. Log in to the National Bureau for Revenue website <https://ities.nbr.gov.bh>
2. Select **Add New Entity**
3. Select **Type of Report – Economic Substance**
4. Select **Create a Return by Filling in an Online Form**
5. Answer the questions and upload the supporting files.

Note: For more information about the Economic Substance requirements and the required documents, please review the **help guide file**, then select **Economic Substance**

Compliance with Anti-Money Laundering Requirements

• What are the establishments subject to the supervision of the Ministry of Industry and Commerce, which are subject to the anti-money laundering requirements?

- Audit firms.
- Establishments that engage in the activity of purchasing and selling gold and precious metals

• What are the requirements for establishments subject to anti-money laundering rules?

- Appointing a compliance officer, his deputy, and a higher officer, as the case may be.
- Providing the Ministry with a copy of the audit office's anti-money laundering policy and procedures (delivered only once after incorporation and updated whenever the need arises or the Ministry requests any periodic amendments to it.)
- Providing the Ministry with an annual audited financial report.
- Ensuring the appropriateness of the internal controls, regulations and procedures in force at the establishment to achieve the laws and ministerial decisions' requirements and updating the internal policies and procedures periodically.
- Ensuring that the establishment's employees receive appropriate training annually to perform their tasks in accordance with the laws and ministerial decisions.
- Ensuring the adequacy of customer due diligence systems and procedures, and the reasonableness and reliability of customer information collected to establish any separate business or process relationship associated with the work of the establishment, including attempting to deal with it.
- Establishing disciplinary regulations and procedures that ensure the commitment of the establishment's employees to implement the provisions of laws and decisions and to abide by all instructions.
- Establishing systems, procedures to ensure that records are updated and the extent to which these systems and procedures are applied on a regular basis.
- Immediate reporting of all suspicious and unusual operations and attempts to deal with them.

- **How to Appoint Compliance Officer:**

1. Log in to Sijilat online website www.sijilat.bh
2. Go to **E-Services menu**
3. Select **Anti Money Laundering**
4. Select **Compliance Officer Registration/Renewal**

Note: For more information on anti-money laundering measures in the non-financial sector, please visit the (Sijilat) website www.sijilat.bh, access Regulations, then select Anti Money Laundering.

Maintaining a Reserve Capital

- **Which companies are required to maintain a mandatory reserve capital?**

- Public Joint Stock Companies.
- Closed Joint Stock Companies.
- Limited Liability Companies.

- **What is the mechanism for forming the statutory (legal) reserve capital and its amount?**

Ten percent (10%) of the net profits shall be deducted every year and set aside to the statutory (legal) reserve unless the articles of incorporation specify a higher percentage. Such deduction may be suspended if the reserve amounts to fifty percent (50%) of the paid-up capital unless the company's articles of incorporation provide for a higher percentage. However, if the statutory reserve falls below the said percentage, the deduction shall resume until the reserve reaches the said percentage.

- **What are the aspects of disbursing the statutory reserve capital?**

The statutory reserve capital is used to increase the company capital or cover its losses that cause its capital to decrease. If this reserve exceeds 50% of the issued capital, the general assembly may decide to distribute the increase to shareholders in the years in which the company does not achieve net profits sufficient to distribute dividends to shareholders.

Formation of the Board of Directors Every Three Years

Public and closed joint stock companies must form a board of directors to take over the management of the company. The company's articles of incorporation indicate the manner and term of its formation, and the term of membership in it may not exceed three years, subject to renewal. The board must be re-formed every three years as determined by the company's articles of incorporation.

Keeping the Commercial Books for 10 Years

Every merchant, whether an individual or a company shall maintain such commercial books that the nature and significance of his business may require, in a manner that establishes its financial position and its rights and obligations that are related to his business for no less than 10 years.

Such books shall be regular. The merchant shall be responsible for the accuracy and integrity of the information in the commercial books, bookkeeping and its submission upon request to the Ministry of Industry and Commerce.

Table 1: Comparison between the Commercial Companies Types

	Comparisons	With Limited Liability W.L.L	Closed Joint Stock Company B.S.C ©	Public Joint Stock Company B.S.C	General Partnership Company	Non-Profit Company (N.P.C)
1	Minimum Partners	1	2	2	2	1
2	Minimum Capital	N/A	250,000 BD	Million BD	N/A	N/A
3	Stock / Share Value	N/A	100 fils -100 BD	100 fils -100 BD	N/A	N/A
4	Partners' Personal Liability	No	No	No	Yes	No
5	Minimum Managers	1	3 (Board of Directors)	5 (Board of Directors)	1	1
6	Appointing a representative member for the shareholder who owns 10% of the capital	No	Yes	Yes	No	No
7	Convene an annual general assembly	Yes	Yes	Yes	No	Yes
8	Preparing annual financial statements	Yes	Yes	Yes	No	Yes
9	Working as a holding company	Yes	Yes	Yes	No	Yes
9	Offering bonds and sukuk	No	Yes	Yes	No	No
10	Issuance of preference shares	No	Yes	Yes	No	No
11	Employee stocks ownership program	No	Yes	Yes	No	No
12	Stock trading in Bourse	No	Yes (among shareholders)	Yes	No	No
13	Annual dividends distribution	Yes	Yes	Yes	Yes	No
14	Compliance with Governance Code	No	Yes	Yes	No	No
15	10% profits' deduction from the statutory reserve	Yes	Yes	Yes	No	Yes
16	Practicing banking, insurance, and investment in third parties' funds	No	Yes	Yes	No	No

Table 2: Obligations of Commercial Registers after Incorporation

Company Type	Annual Obligations											Compliance with Anti-Money Laundering Requirements *2	Maintaining a Reserve Capital	Formation of the Board of Directors Every Three Years	Keeping the Commercial Books for 10 Years
	Convene General Assembly for Partners/ Shareholders	Invitation of the Ministry to Attend the General Assembly	Sending the Minutes of the General Assembly Meetings	Appointing an Auditor	Preparing Financial Report	Convening Four Board of Directors' Meetings	Preparing the Board's Report	Preparing Governance Report and Appointing a Corporate Governance Officer	Publishing the Financial Results in a Local Newspaper	Appointing and Updating the Ultimate Beneficiary	Compliance with the Economic Substance Requirements *1				
General Partnership Company	-	-	-	-	-	-	-	-	-	✓	✓	✓	-	-	✓
Limited Partnership Company:	-	-	-	✓	✓	-	-	-	-	✓	✓	✓	-	-	✓
Limited Liability Company	✓	-	-	✓	✓	-	✓	-	-	✓	✓	✓	✓	-	✓
Closed Joint Stock Company	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	-
Public Joint Stock Company	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Branches of Foreign Companies	-	-	-	✓	✓	-	-	-	-	✓	✓	✓	-	-	✓
Individual Establishments	-	-	-	-	-	-	-	-	-	✓	✓	✓	-	-	✓

* 1: It includes establishments that engage in distribution activities, service centers, activities of corporate headquarters, activities of holding companies, shipping activities, intellectual property activities, and leasing activities.

* 2: It includes establishments that engage in auditing activities, and the sale and purchase of gold and precious metals.

A- General Controls and Obligations with Regard to Commercial Registers:

- Do not engage in commercial activity unless it is licensed to guarantee your rights and your customers' right.
- Make sure that the commercial name matches the licensed name of the establishment, along with the registration number and branch number.
- Adhere to laws and regulations that aim to regulate business and safeguard everyone's rights.
- Ensure that the establishment has an existing and licensed commercial address.
- Ensure the validity of all documents submitted in the **(Sijilat)** system.
- Share your CR data with the customers by presenting the registration certificate on your commercial premises.
- Stand with us against commercial concealment, and make sure to practice your business legally.
- Make sure the CR signboard displays the commercial name and registration number.

