



Bahrain Brief

The Key Amendments to the Commercial Companies Law: What Businesses Need to Know

Legislative Decree No. 38 of 2025 Amending Certain Provisions of the Commercial Companies Law Promulgated by Legislative Decree No. 21 of 2001 (the **Amendment**) was published in the Official Gazette on 11 September 2025 and entered into force the following day. This briefing outlines the main changes introduced by the Amendment that businesses need to know.

1. Decision-Makers Liability

The much anticipated amendments with respect personal liability under Article (18) bis of the Commercial Companies Law in the Amendment (i) revises the categories of individuals at risk of personal liability; and (ii) replaces the former illustrative list of breaches giving rise to personal liability with a more general trigger and an arguably clearer standard.

The new Article (18) bis (a) removes the personal liability of shareholders or partners under the prior provision, which had been widely criticized as undermining the principle of limited liability.

The new Article extends personal liability beyond the directors, members of the board of directors or the board of managers, to include those who de facto manage the company, including shadow directors. This resolves a gap in the prior legislation where such individuals who effectively managed a company without holding a formal title were not directly captured. In effect, those who control a company in practice are now subject to the same responsibilities as those whose names are recorded on the Commercial Register.

Furthermore, while directors may still be held personally liable to the company, its shareholders or third parties for “negligence, or gross fault, or breach of the provisions of the law, or the memorandum of association of the company, or its articles”, the new Article (18) bis (a) adds the requirement that there be evidence that such negligence, gross error, or breach of the law has caused the company to incur liability.

The prior provision of Article (18) bis (a) of the Commercial Companies Law, particularly paras. 8 and 9, which had expanded on personal liability to include “negligence” and “failure to act as a prudent person in such circumstances”, respectively, had invited wide criticism. There was no clear standard or test for negligence or prudence under the Commercial Companies Law. This meant the courts retained

wide discretion in determining liability, creating uncertainty for decision-makers and shareholders, risking potentially piercing the corporate veil for ordinary business decisions.

The reference to de facto managers is not confined to Article (18) bis. The Amendment also revises multiple other provisions of the Commercial Companies Law by inserting the phrase “*and the person who effectively manages the company*” after each reference to company directors. Further, the new Article (357) expressly extends the category of persons obligated to disclose to the inspection officers of the Ministry of Industry and Commerce all books, documents, records and information relating to the company’s affairs in their possession or to which they have access to include such persons. This ensures that responsibilities of management, disclosure, and cooperation apply equally to de facto managers.

2. Virtual Meetings and Electronic Voting

Under the prior provision of Article (23) bis virtual meetings of the board or shareholders by videoconference or teleconference were permitted only where expressly authorized in the company’s articles of association or where the directors, or shareholders, as applicable, unanimously expressly agreed to waive their right to a physical meeting.

Consistent with the digital transformation and the increasingly global marketplace, the reform introduced by the new Articles (23) bis and (204) second paragraph, permits electronic meetings and e-voting by default, respectively, provided certain safeguards are met.

3. Closed Shareholding Companies with a Sole Shareholder

Following the steps of the amendment introduced by the Legislative Decree No. 28 of 2020, with respect to with limited liability (WLL) companies, the new Article (226) under the Amendment removes the strict requirement for a minimum of two shareholders and now permits the incorporation of a closed Bahraini shareholding company (BSC (c)) by one person under conditions to be prescribed by a ministerial decision.

Under the prior provision, it was common practice for subsidiaries or companies with a sole investor to comply by including a second shareholder who is a nominee or has a nominal shareholding with no genuine investment or participation. While the ministerial decision is yet to be issued, the Amendment gives businesses or investors greater structural flexibility for Closed Shareholding Companies.

4. Extension of the Continuation Period of Partnerships on Partner Exit or Insolvency

Where a company’s deed is silent on the continuation of a partnership company in the case of withdrawal, death, interdiction or bankruptcy of a partner, the new Article (322) (c) extends the period for the remaining partners to unanimously agree on continuing the partnership among themselves from fifteen (15) working days under the prior provision to ninety (90) working days.

The new Article (322) (c) gives companies a more realistic period to organize succession, reach consensus and register the necessary amendments to the Commercial Register.

5. Abolition of Partnerships in Participation (Sharikat Al-Muhassa) as a Form of Company

The Amendment abolished partnerships in participation (joint ventures) that were essentially a contractual arrangement by and between the partners, not registered in the Commercial Register, as a recognized form of company. This is a highly significant change to the legislative framework and existing partnerships in participation have until 12 December 2025 to rectify their structure in accordance with the Amendment.

How We Can Support You

Companies should seek tailored advice on how the Amendment impacts their business. At Zeenat Al Mansoori & Associates Full Law Practice, we are very well positioned to advise on the liability exposure of directors and decision-makers, assist in implementing compliant electronic meetings and e-voting, advise on the appropriate restructuring of the participation partnership, and review the constitutional documents of the company to ensure compliance with the Amendment.

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