

28 December 2016

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### Law No. (18) of 2016 in Respect to Investment Limited Partnerships

We, Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain,

Having examined the Constitution;

The Penal Law promulgated by Legislative Decree No. (15) of 1976 (as amended);

The Law of Commerce promulgated by Legislative Decree No. (8) of 1987 (as amended);

The Bankruptcy and Composition Law promulgated by Legislative Decree No. (11) of 1987;

Legislative Decree No. (4) of 2001 in respect to the Prevention and Prohibition of Money Laundering (as amended);

The Civil Code promulgated by Legislative Decree No. (19) of 2001;

The Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001 (as amended);

The Law of Criminal Procedures promulgated by Legislative Decree No. (46) of 2002 (as amended);

Law No. (64) of 2006 promulgating the Central Bank of Bahrain and Financial Institutions Law as amended by Legislative Decree No. (34) of 2015; and

Law No. (18) of 2012 in respect to Trade Names; and

Law No. (27) of 2015 in respect of the Commercial Register.

The Shura Council and the Council of Representatives have approved the following Law, which we have ratified and promulgated.

#### Section 1 – Definitions

In interpreting the provisions of this law, the following terms and expressions shall have the meanings assigned against each unless the context requires otherwise:

<b>Central Bank</b>	means the Central Bank of Bahrain;
<b>Central Bank Law</b>	means the Central Bank of Bahrain and Financial Institutions Law promulgated by Law No. (64) of 2006, as amended by Legislative Decree No. (34) of 2015, together regulations, directives, instructions and guidance notices issued pursuant to its provisions;
<b>Commercial Register</b>	means the register established pursuant to the Commercial Register Law;
<b>Commercial Register Law</b>	means Legislative Decree No. (27) of 2015 in respect of the Commercial

	Register Law;
<b>Competent Department</b>	means the competent body for maintaining the Commercial Register pursuant to the Commercial Register Law.
<b>Contribution</b>	means share in cash or in kind which a Partner contributes or agrees to contribute to the capital of the Partnership;
<b>Distribution</b>	means payment in cash or kind made to the Partners in their capacity as such, and represents a share of profits or return of the capital or a portion thereof;
<b>General Partner</b>	means any of the Partners referred to in Sub-Paragraph (a) of Sub-Section 3(3) of this law;
<b>Insolvency</b>	means the Partnership's inability to pay from its own assets without resorting to the General Partners' personal assets (which do not include their Contributions to the Partnership) of its debts and obligations as they fall due (other than its debts and obligations to the Partners in respect of the Partnership Interest) and which arise in the ordinary course of its business.
<b>Limited Partner</b>	means any of the Partners referred to under Paragraph (b) of Sub-Section 3(3) of this law;
<b>Partner</b>	Includes a General Partner and Limited Partner
<b>Partnership</b>	means any Investment Limited Partnership established pursuant to Section 3 of this law;
<b>Partnership Agreement</b>	means the contract referred to under Section 4 of this law, including any subsequent amendments thereto;
<b>Partnership Interests</b>	means a Partner's share of the profits and losses of the Partnership including the right to receive Distributions and other benefits conferred on a Partner pursuant to the Partnership Agreement;

## Section 2 –Activity of the Partnership

1. The Partnership may only carry out any of the following activities:
  - a. Private Investment Undertakings;
  - b. Collective Investment Undertakings;
  - c. Securitization;

- d. Insurance captives; and
  - e. Any other financial service that the Central Bank may specify in a regulation issued pursuant to the provisions of this law.
2. The business activities under Sub-Paragraphs (a) to (d) of Sub-Section 2(1) shall have the meaning defined in respect of each pursuant to the Central Bank Law.

### **Section 3 – Establishment of the Partnership**

- 1-** A Partnership is established once a Partnership Agreement is executed. The Partnership shall have a legal personality as of the date on which it is entered into the Commercial Register. The Partnership shall be subject to the oversight and supervision of the Central Bank.
- 2-** The Partnership established pursuant to this law shall have a Bahraini nationality and shall have its domicile in Bahrain.
- 3-** The Partnership consists of:
- a.** one or more General Partners who contribute to the Partnership’s capital in cash or in kind, and are jointly and severally liable for the Partnership’s obligations in their own personal assets; and
  - b.** one or more Limited Partners who contribute to the Partnership’s capital in cash or in kind. Except as otherwise provided in this law, a Limited Partners shall not be liable for the Partnership’s obligations and debts beyond his own Contribution.
4. At least one of the General Partners must be a body corporate domiciled in Bahrain or in a other country or jurisdiction acceptable to the Central Bank and satisfy such requirement as the Central Bank may prescribe in a regulation issued pursuant to this law. Except as aforesaid provided, each of the remaining General Partners and all the Limited Partners may be either a natural person or a body corporate and none of them need to be a national of, domiciled, incorporated or have a principal place of business in the Kingdom of Bahrain.
5. A General Partner is deemed a merchant and as carrying out business as a merchant in the name of the Partnership. The bankruptcy of the Partnership shall results in the bankruptcy of all the General Partners.

### **Section 4 – The Partnership Agreement**

- 1-** The Partners shall execute a Partnership Agreement in writing providing for the establishment of a Partnership amongst themselves and shall include provisions relating to the regulation of the Partnership’s affairs, the conduct of its business as well as the rights and obligations of the Partners amongst themselves.

- 2- The Partnership Agreement shall be binding on the Partners upon its execution and notarization and shall also be binding on their assigns and new Partners who subsequently become Partners as though they have been Partners at the time of its execution.
- 3- The Partnership Agreement may be amended in writing in the manner set out in its provisions or, where the provisions of the Partnership Agreement is silent in this regard, by the unanimous consent of all the Partners. In both cases the amendment shall be binding on all Partners.
- 4- The Partnership shall file with the Central bank a notarized copy of any amendment to the Partnership Agreement within five (5) days following its execution.
- 5- The Partnership Agreement shall include provisions in respect of the following:
  - a. The particulars referred to under Sub-Section 6 (3) of this law;
  - b. The names and addresses of the Limited Partners;
  - c. The names of those persons, whether of the Partners or otherwise, who are authorized to sign on behalf of and manage the Partnership together with their competence and the extent of their powers;
  - d. Whether there are any restrictions on the Partner's ability to assign his Partnership Interest or dispose of it in any manner, and the particulars of the restrictions where the Partnership Agreement provides for such restrictions;
  - e. Whether there are any restrictions on the business of the Partnership, and the particulars of the restrictions where the Partnership Agreement provides for such restrictions;
  - f. The manner of distribution of the profits and losses among the Partners;
  - g. A General Partner's right to, and the situations in which he may, compete with the Partnership, where the Partnership Agreement provides for such right;
  - h. The events in which a meeting of the Partners must be held, and the date and procedure for conducting such meetings;
  - i. The events in which a Partner may withdraw or be removed from the Partnership, and how a new Partner may be admitted to the Partnership;
  - j. The starting and ending date of the Partnership's financial year.
  - k. The date in which the Partnership is to terminate, if it is for a limited duration;
  - l. The Partnership's policies for the avoidance of conflict of interest and particulars of such policies, where the Partnership Agreement includes such policies; and
  - m. Any other matters specified in a regulation issued by the Central Bank pursuant to this law.

#### **Section 5 – Name of the Partnership**

A Partnership shall have a name which shall be subject to the provisions applicable to Commercial Companies

and shall be followed by the words "Investment Limited Partnership" or the letters "I. L.P." The name of the Partnership may include the name of the General Partner, or the General Partners or one of them. The name of the Partnership may not include the name of any Limited Partner.

#### **Section 6 – Registration of the Partnership**

- 1-** An application for obtaining the consent of the Central Bank to establish the Partnership shall be submitted in the form prescribed for this purpose accompanied by a notarized copy of the Partnership Agreement.
- 2-** Obtaining the Central Bank's consent to establish the Partnership shall be subject to such conditions as the Central Bank may prescribe in a regulation pursuant to this law and the payment of the fee referred to under Sub-Section 18 (2) of this law.
- 3-** Registration of the Partnership shall be effected by filing with the Competent Department a copy of the Central Bank's letter consenting to the establishment of the Partnership accompanied with a notarized statement, signed by all the General Partners, that includes the following:
  - a.** the name and address of the Partnership together with its principal place of business;
  - b.** the business activity, to be carried by the Partnership, which shall be of those activities authorized under Section 2 of this law;
  - c.** the nature and amount of every Partner's Contribution and the manner of its payment;
  - d.** the duration of the Partnership if is for a limited duration, and where the Partnership is not for a limited period it shall be so stated;
  - e.** the General Partners names, addresses and nationality; and
  - f.** identity particulars of the General Partners.

The statement shall be accompanied with a copy of the passport of the General Partner who is a natural person and another official document attesting its identity. Where the General Partner is body corporate, the statement shall be accompanied with a copy of its certificate of incorporation or any other similar documentation depending on the law of the jurisdiction in which it is incorporated.

- 4-** The Competent Department shall issue a certificate of registration attesting the registration of the Partnership upon it being entered in the Commercial Register.
- 5-** A notice announcing the formation of the Partnership together with the particulars listed under Sub-Paragraphs 3(a) to 3(e) of this section be published in the Official Gazette at the Partnership's expense.
- 6-** If any change occurs to the particulars entered in the Commercial Register in accordance with Paragraph (3) of this Section, the General Partners shall be jointly and severally liable for filing with the Competent Department a notarized statement of such change signed by all of them identifying its

particulars within fourteen (14) days of the date on which the change took place. Where such statement includes any change to the particulars listed under Sub-Paragraphs (3)(a) to 3(e) of this section, the Competent Department shall forthwith upon receiving the statement enter the changes in the Commercial Register and have it published in the Official Gazette at the Partnership's expense.

Any change to the foregoing particulars shall have no legal effect against a third party of good faith unless and until these particulars are entered in the Commercial Register.

#### **Section 7 – Records, documents, statements and inspection thereof**

- 1-** The General Partners shall at all times keep at the Partnership's principal place of business the following documents, records and statements:
  - a.** A copy of the Partnership's certificate of registration.
  - b.** A copy of the Partnership Agreement and all amendments thereto;
  - c.** A statement containing the names of the General Partners and Limited Partners and specifying whether each is a General Partner or Limited Partner and the date on which he became a Partner;
  - d.** A statement of the amount and nature of the Contribution agreed to be paid by each Partner and the time at which the Contribution is to be made;
  - e.** A statement of the amount and nature of Contributions paid by each partner and the time at which it was paid;
  - f.** The amount and the date of any Distribution paid to each Partner;
  - g.** All records of the Partnership meetings, consents accorded the Partners, or any voting made in accordance with Partnership Agreement or otherwise;
  - h.** The financial statements of the Partnership of the then preceding ten (10) years; and
  - i.** A statement, containing all the relevant particulars, of all pledges and dispositions, in whole or in part, of the Partnership Interests made by any of the Partners.
- 2-** The General Partners shall make the records, documents and statements specified Paragraph (1) of this Section available for inspection by all Partners, the external auditor and any former Partner with respect to the period during which he was a Partner. Such records shall also be made available upon the request of the Central Bank or any competent court in the Kingdom of Bahrain.

No other person may inspect such records, documents and statements without the consent of the General Partners.
- 3-** The General Partners shall update the records, documents and statements specified under Sub-Paragraph (1)(a) to (h) of this Section within five (5) business days of any change or variation to the information contained therein.
- 4-** The General Partners shall update the record specified under Sub-Paragraph (1)(i) of this Section within five (5) business days of becoming aware of any change or variation to the particulars contained therein.

## **Section 8 – Management of the Partnership**

**1-** Where there are more than one General Partner, the Partnership shall be managed by all the General Partners unless the Partners designated in the Partnership Agreement or in a separate contract one or more managers, from among the General Partners or otherwise, to manage the Partnership. If there is only one General Partner such General Partner or any person he may authorise shall have the authority to decide.

**2-** Where there are more than one General Partner and the Partnership Agreements specifies a particular jurisdiction for each of them, a General Partner shall be liable only for the business that falls within his own jurisdiction.

Where there are more than one General Partner and the Partnership Agreement requires them to act collectively, save in respect of those matters provided under Paragraph 4 of this Section, decisions of the General Partners shall only be valid if taken by the majority of the General Partners or those they may have authorized except that a General Partner may solely act on an urgent matter where otherwise a substantial damage would be incurred by the Partnership or the Partnership would sustain a substantial profit loss of profit.

Where there are more than one General Partner and the Partnership Agreement does not specify a particular jurisdiction for each of them and does not require them to act collectively, each General Partner may act in respect of the management of the Partnership provided that the other General Partners may object to the act before its execution and in such event the matter shall be decided by a majority vote of the General Partners and in the event of a tie the matter shall be put before the Partners.

**3-** Where the General Partner is not duly authorized in transacting a business in the name of the Partnership he shall be liable to any person of good faith in respect of such transaction and liable for damages towards losses and damages incurred by him as a result of such transaction.

**4-** Unless the Partnership Agreement provides otherwise, the following matters shall require the unanimous agreement of all Partners:

- a.** amendment of the Partnership Agreement;
- b.** the making of a Distribution;
- c.** subject to Section 17, the dissolution and liquidation of the Partnership; and
- d.** change to any restriction on the business of the Partnership

**5-** A Limited Partner may not take part in the management of the Partnership. If a Limited Partner takes part in the management of the Partnership in its dealings with persons who are not Partners, such

Limited Partner shall be liable to such persons, in the event of the insolvency of the Partnership, for all debts and obligations of that Partnership incurred during the period that he so participated in the management of the Partnership as though he was, for such period, a General Partner provided always that :

- a. The person who transacts with the Partnership had knowledge of the participation of the Limited Partner in the management; and
  - b. such person had reasonable ground to believe that such Limited Partner is a General Partner.
- 6- A Limited Partner does not take part in the management of the Partnership within the meaning of Paragraph 5 of this this Section by:
- a. Exercising any of his rights provided under this law including initiating, pursuing, terminating or settling any legal action as provided under Sub-Sections 13 (3) and 13(4) of this law;
  - b. holding an office or interest in the General Partner;
  - c. being a contractor for or an agent or employee of the Partnership or being a director, officer or shareholder in a General Partner;
  - d. advising a General Partner or consenting or withholding consent to conclude an action as provided under the Partnership Agreement with respect to the business of the Partnership including, without limitation, the consideration, consenting or withholding consent in respect of any conflicts of interest associated with the Partnership;
  - e. reviewing, approving or receiving advice as to the accounts or business affairs of the Partnership;
  - f. acting as a surety or guarantor for the Partnership either generally or in respect of specific obligations;
  - g. approving or disapproving an amendment to the Partnership Agreement;
  - h. calling, requesting, attending or participating in any meeting of the Partners;
  - i. taking any action leading to the dissolution or liquidation of the Partnership;
  - j. appointing a person to serve on any board or committee of the Partnership, a General Partner or a Limited Partner or removing or dismissing a person therefrom
  - k. where permitted by the Partnership Agreement, voting as a Limited Partner on any of the following:
    - i. the dissolution and liquidation of the Partnership;
    - ii. the purchase, sale, exchange, pledge or any other disposition in respect of any assets of the Partnership;
    - iii. the incurrence or renewal of indebtedness by the Partnership;
    - iv. a change to the restriction on the business of the Partnership;
    - v. the admission, removal or withdrawal of a General Partner or Limited Partner and the continuation of business of the Partnership thereafter; or
    - vi. any transaction in which one or more of the General Partners have an actual or potential conflict of interest with one or more of the Limited Partners.



- 7- Paragraph (6) of this Section shall not be construed to imply that the Limited Partner's possession of any powers, or the exercise by the Limited Partner of any other power other those identified under the said paragraph will necessarily constitute taking part by such Limited Partner in the management of the Partnership.

#### **Section 9 – Liability of Partners to Pay Contributions**

Every Partner is obligated to the Partnership to pay in full all amounts that he has agreed or committed to pay towards the capital of the Partnership on the time and manner specified in the Partnership Agreement.

#### **Section 10 – Duties of a General Partner**

- 1- Subject to Paragraph (5) of this Section, unless the Partnership Agreement provides otherwise, a General Partner shall:
- a. not do any act which in any way restricts the Partnership's ability to carry out its business;
  - b. not possess or dispose of any property of the Partnership, or any right in such property, for other than the Partnership's purposes;
  - c. not carry out any business of the same nature as or competing with the Partnership. If a General Partner carries out any business of the same nature as or competing with the Partnership, he shall account for and pay over to the Partnership any profits made by him out of such business; or
  - d. account to the Partnership for any benefit derived by him from any transaction concerning the Partnership, or the use by him of any property, name, confidential information or any other information or business contacts of the Partnership.
- 2- Subject to the provisions of this law and the Partnership Agreement, a General Partner shall assume all the powers and carry out all acts and functions necessary and connected with the management of the business of the Partnership, and shall discharge all his obligations and those of the Partnership.
- 3- A General Partner shall:
- a. discharge all his duties to the Partnership and the Partners and exercise his powers and carry out his obligations consistently with the requirements of good faith and fair dealing;
  - b. render true accounts together with full information related to the Partnership to the other Partners or their legal representatives. The foregoing shall be in addition to complying with the provisions of Sub-Section 7(2) of this law with respect to accounts, documents and statements; and
  - c. refrain from any dealing, whether for his own account or others on their behalf, that is adverse to the interest of the Partnership

- 4- The Partnership Agreement may require a General Partner to disclose in writing to the other General Partners and, where he is the sole General Partner, to the Limited Partners or to such committee or body as mandated by the Partnership Agreement of any direct or indirect personal interest in any transaction proposed or concluded on behalf of the Partnership as soon as he becomes aware of such interest.

Where the Partnership Agreement requires such disclosure, save where otherwise authorised under the Partnership Agreement, the interested General Partner shall not participate in voting on the matter.

- 5- The Partnership Agreement may allow any specific act or transaction that otherwise would be prohibited pursuant to Paragraph (1) of this Section or ratify it if already carried out, if it is approved by a specific number or proportion of the Partners after full disclosure to them of all related facts and circumstances.
- 6- A General Partner shall be liable for any damage sustained by the Partnership or the Partners due to a breach of its obligations under this law or the Partnership Agreement.

#### **Section 11 – Limited Partner’s Assignment of his Partnership Interest**

- 1- Subject to the Partnership Agreement and Paragraph (2) of this Section, a Limited Partner may assign his Partnership Interest in the Partnership in whole or in part by an agreement in writing.
- 2- An assignee shall not assume any of the Limited Partner’s liability arising prior to the assignment resulting from the assigner’s breach of Sub-Section 8(5), 14(3), 15(2) or Section 16 of this law. No such assignment shall relieve the Limited Partner assigner of any liability arising pursuant to the said provisions.

#### **Section 12 – Liabilities of Withdrawn, Removed and Admitted Partners**

- 1- Subject to Paragraph(4) and (5) of this Section, a General Partner who withdraws or is removed from the Partnership does not thereby cease to be liable for the Partnership’s debts or obligations incurred before his withdrawal or removal.
- 2- A General Partner who withdraws or is removed from the Partnership is not liable for any of the Partnership's debts or obligations incurred after the announcement in the Official Gazette that he had ceased to be a General Partner.
- 3- A General Partner who is admitted, whether by way of an assignment or otherwise, into an existing Partnership does not become liable for any debts or obligation of the Partnership incurred before he became a General Partner.

- 4- A withdrawn or removed General Partner may be discharged from any existing liabilities in accordance with an agreement to that effect between that General Partner, the creditors and the Partnership as newly constituted. Such agreement may be either express or inferred from the course of dealings between the creditors and the Partnership as newly constituted.
- 5- Save in cases of fraud, a claim against a General Partner who has withdrawn or been removed shall be subject to prescription after five years following his withdrawal or removal commencing from:
  - a. Subject to Sub-Paragraph (b) of this Sub-Section, the date on which the General Partner's withdrawal or removal was announced in the Official Gazette; or
  - b. Where the debt was incurred before the announcement in the Official Gazette of the General Partner's withdrawal or removal and became payable after the date of such announcement, the date on which the debt had become payable.

### **Section 13 – Legal Proceedings**

1. Subject to Paragraphs (2) and (3) of this Section, legal proceedings by or against the Partnership shall be instituted by or against the Partnership by the Partnership or one General Partner or more in their capacity.
2. No Limited Partner shall be a party to a legal proceedings for or against the Partnership except that legal proceedings may be instituted against a Limited in respect of his liability under Sub-Section 8(5) of this law or to compel him to return profit, Contribution or Distribution received by him in contravention of Sub-Section 14(3), Sub-Section 15(2) or Section 16 of this law.
3. Subject to Paragraph (4) of this Section, a Partner may institute legal proceedings against the Partnership if it has conducted its business in a manner prejudicial to his interest as a Partner.
4. A Limited Partner may institute legal proceedings on behalf of the Partnership provided that such Partner had first served a written notice on the Partnership and all the General Partners requiring them to institute legal proceedings and none of them has obliged, within a reasonable time after the date of the notice, without a reasonable excuse and provided that the failure to institute legal proceedings is prejudicial to his own interests as a Limited Partner
5. Creditors of the Partnership shall not have a right of enforcement, against the assets of the General Partner, in order to recover their own debt unless a court judgement has been rendered in respect of the debt and a recourse against the Partnership had been made and it has failed to so pay.

6. A General Partner who has paid pursuant to paragraph (5) of this Section shall have the right to recover all sums that he has so paid pursuant to the court judgment; and where recovery has not been achieved he shall have a right of recourse against the remaining General Partners in the proportion of their indebtedness.

#### **Section 14 –Profits**

- 1- Subject to Paragraph (3) of this Section, Sub-Section 16 (2) of this law and the Partnership Agreement, the Partnership may pay at any time to the Limited Partners a share of the Partnership's profit provided that at the time of and immediately following such payment the Partnership does not become Insolvent.
- 2- Unless provided otherwise in the Partnership Agreement, the General Partners and Limited Partners shall be paid their respective share of the profit pro rata to ration of their Contributions (to the total Contributions) which have not been returned at the time on which the payment of profit was decided.
- 3- Without prejudice to Sub-Section 16(2), if the Partnership becomes Insolvent within six months of the Limited Partner's receipt of payments representing his share of profit, the Limited Partner shall return the payments that he had so received to the extent necessary to discharge the Partnership's debts or obligations incurred during the period that such payment represented part of the Partnership's assets.

#### **Section 15 - Return of Limited Partner's Contribution**

- 1- A Limited Partner shall not, upon the Partnership's dissolution or otherwise, receive out of the capital of the Partnership a payment representing a return of his Contribution to the Partnership or any part thereof if the Partnership is, or would become, Insolvent upon such payment or immediately following the payment.
- 2- Subject to Sub-Section 16(2) of this law, in the event that the Partnership becomes Insolvent within six months following the Limited Partner's receipt of any Distribution representing a return of his Contribution towards the Partnership's capital, the Limited Partner shall be liable to repay what he has received to the extent necessary to discharge the Partnership's debts or obligations incurred during the period that such payment represented part of the Partnership's assets.

#### **Section 16 – Obligation to Return Prohibited Distributions**

- 1- Any Partner or other person who caused the payment of a Distribution which is prohibited under the provisions of Section 14, Section 15 of this law or the Partnership Agreement, and who knew of the prohibition, shall be personally liable to the Partnership for the return of the Distribution in full. If more than one Partner or person had caused the prohibited Distribution to be paid, their liability shall be joint and several.

- 2-** A Partner who receives a Distribution prohibited under section 14 and 15 of this law or the Partnership Agreement shall, if he knew of the prohibition, be liable to the Partnership for the return of the prohibited Distribution that he had so received.

### **Section 17 - Dissolution**

- 1-** Subject to the provisions of this Section, unless the Partnership Agreement provides otherwise the Partnership shall not be dissolved upon:
- a.** the admission of a new Partner, withdrawal or removal of a Partner from, the Partnership where there are more than of one Partner, or substitution of a Partner with a new Partner;
  - b.** the death, incapacity, bankruptcy, dissolution, removal, withdrawal or winding up of one or more Limited Partner;
  - c.** a Partner's redemption, or repurchase by the Partnership, of any Partnership Interest;
  - d.** a Limited Partners mortgaging any of his Partnership Interest or subjecting it to a restriction in any other form; or
  - e.** sale, exchange, lease, mortgage or disposition in any other manner of any assets of the Partnership.
- 2-** Subject to the provisions of the Central Bank Law, the Partnership shall dissolve for any of the following reasons:
- a.** withdrawal, removal, bankruptcy or dissolution of a sole, or remaining General Partner that satisfies the requirements set out under Sub-Section 3(4) of this law except that the Partnership shall continue according to the Partnership Agreement, where the Partnership Agreement allows admitting a new corporate General Partner that satisfies the aforesaid requirements, if the Partners substitute such Partner within ninety (90) days with a new General Partner that satisfy the aforesaid requirements; or
  - b.** expiry of the duration of the Partnership if it is for a limited duration or the occurrence an event that is contingent for the continuation of the Partnership as specified in the Partnership Agreement.
- 3.** The competent court may, upon an application of a Partner or a creditor, order the dissolution of the Partnership if it is satisfied that:
- a.** the Partnership is being conducted in a manner that is calculated to be prejudicial to the carrying out of the activities of the Partnership or likely to lead to such prejudice;
  - b.** the Partnership is being conducted in a manner oppressive to one or more of the Limited Partners;
  - c.** the Partnership's business is being conducted in a manner that cannot continue without it sustaining losses;
  - d.** a General Partner, other than the Partner applying for the order for dissolution, persistently or wilfully commits a breach to the provisions of the Partnership Agreement ; and
  - e.** circumstances have arisen which render the dissolution of the Partnership required in the interest

of fairness and good conscious.

4. Where the competent court orders the dissolution of the Partnership in accordance with Paragraph (3) of this Section, the competent court may order measures it sees fit with respect to the liquidation of the Partnership.
5. The liquidator shall file with the Central Bank a notice of the dissolution within fourteen (14) days following the date of the dissolution.
6. The Partnership shall be liquidated in accordance with the procedures and requirements specified in the Partnership Agreement with due regard to the provisions of the Central Bank Law and the implementing regulations issued by the Central Bank pursuant to this law and any orders issued by the competent court.
7. In settling the accounts of the Partnership upon its liquidation, preferred creditors shall be paid first as provided under the relevant laws followed by other creditors and thereafter, subject to the Partnership Agreement or to any subsequent agreement between the Partners, other debts of the Partnership shall be settled in the following order:
  - a. Limited Partners other than their Contribution to the capital and share of profits;
  - b. General Partners other than their Contribution to the capital and share of profit ;
  - c. Limited Partners in respect of their Contributions to the capital;
  - d. Limited Partners in respect of their share of profit;
  - e. General Partners in respect of their Contribution to the capital; and
  - f. General Partners in respect of their share of profit.
8. Except to the extent that such provisions are inconsistent with this law, the provisions of the Commercial Companies Law s related to the liquidation of commercial companies shall apply to the liquidation of the Partnership.
9. Save in cases of fraud, claims against the General Partners arising out of the liquidation of the Partnership shall prescribe within five (5) years following the date of the publication of the announcement of the liquidation in the Official Gazette.

#### **Section 18 – Fees**

- 1-** A fee shall be payable in respect of an application for entering a Partnership in the Commercial Register. A fee shall also be payable in respect of the renewal of such entry and any application for changes to the entered particulars. Such fees shall be determined in accordance with the Commercial Register Law.
- 2-** A fee shall be payable in respect of an application to obtain the Central Bank’s consent to establish a Partnership in accordance to sub-section (4)(1) of this law. Such fee shall be determined in a regulation issued by the Board of Directors of the Central Bank.

#### **Section 19 - Penalties**

Subject to Section 20 of this law and to any harsher penalty prescribed under the Penal Law or any other law:

1. A fine not exceeding BD 100,000 and a prison term not exceeding one year, or either one of those penalties, shall be imposed on:
  - a. any person who submitted to the Central Bank or the Competent Department, for the purpose of registering a Partnership, a statement containing false or untrue information or signed such a statement knowing that the truth of the information it contained.
  - b. any General Partner or manager who included, distributed, or signed papers, documents, records or statements knowing that they contain false or untrue information.
  - c. any Partner who voted for, and any auditor or manager who assented to, paying a Distribution which is prohibited under this law if such person knew of the prohibition at the time of such assent or payment.
  - d. any Partner who received a Distribution which is prohibited under this law knowing of the prohibition;
  - e. any person who having been appointed by the Central Bank or the court to inspect or investigate a Partnership had wilfully included in the report which he produced on the outcome of the inspection or investigation false or incorrect facts, or wilfully omitted material facts in such report;
  - f. any General Partner or manager of the Partnership who wilfully failed to enable the Central Bank, the Court, auditor, or an expert appointed by the Central Bank or the Court to carry out an inspection or investigation of the Partnership or inspect its records, documents, statements and papers;
  - g. Any General Partner, manager, auditor or liquidator who participated in producing or approving a of the financial statement of a Partnership knowing that such financial statement do not reflect the true financial position of the Partnership for the relevant period; and
  - h. Any manager, auditor, expert, advisor or other person who having been entrusted with access to trade secrets or other confidential information of the Partnership had disclosed or exploited such secrets or information for his own gain contrary to the Partnership's interests.
  - i. Any General Partner who willfully contravened the provisions of sub-section 6(6), 7(1), 7(2), 7(3) or 7(4) of this law.
2. A fine not exceeding BD 100,000 shall be imposed on any General Partner who had negligently contravened the provisions of sub-section 6(6), 7(1), 7(2), 7(3) or 7(4) of this law.

#### **Section 20 – Corporate Liability**

Without prejudice to any criminal liability of the natural person, a body corporate shall be criminally liable and shall be punished by a fine not exceeding BD 200,000 if any of the offences provided under Section 19 of this

law had been committed in its name, for its account or benefit, and the act had been the result of an action, default, gross negligence or connivance of an officer or employee of that body corporate or any other individual who was purporting to act in any such capacity.

#### **Section 21 – Supplementary Provisions**

Without derogating from the provisions of this law, the following provisions shall apply to Partnerships, General Partners and Limited Partners to the extent that such provisions are applicable to simple commandite companies, general partners and limited partners in such companies (as the case may be):

- a. Sections 457, 458, 459, 460, 462, 470, 471, 472 and 474 of the Civil Code;
- b. The provisions of the Commercial Company Law in respect of the liquidation of Commercial Companies; and
- c. any provision of any other law.

#### **Section 22 – Power of the Central Bank to Issue Regulations**

1. The Central Bank shall issue the necessary regulations for the implementation of this law without prejudice to the powers of the competent Minister for the Commercial Register to issue any regulations necessary for implementing its provisions in accordance with the provisions of the Commercial Register Law.
2. For the purposes of this law, the Central Bank's board of directors and governor shall have the same powers conferred on them under the Central Bank Law, including those in relation to licensees in accordance with the Central Bank Law, to the extent that is consistent with the nature of the Partnerships and unless this law provides otherwise. For these purposes, a Partnership shall be deemed a licensee.

#### **Section 23 - Limitation of Liability to Others**

The provisions of section 175 of the Central Bank Law on the liability of the Central Bank, its employees and officers and of the administrator and liquidator shall similarly apply to their respective liability in respect of any act or default in relation to Partnership.

#### **Section 24 – Implementation of the Provisions of this Law**

The Prime Minister and Ministers- each in his respective capacity- shall implement the provisions of this law, which shall come into effect thirty (30) days following the date of its publication in the Official Gazette.