

The Impact of Active Partner Effectiveness on Managing a Limited Liability Company in Bahraini Legislation

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Abstract

This study is based on encouraging an active partner to manage a limited liability company and his impact in achieving the goal of establishing it. This management is carried out by activating its role in the administration through the General Assembly and the Supervisory Board. It is also aimed to confirm that the active partner is the real management center for the company to achieve the company's goals and purposes. The role of an active partner must go beyond the traditional administrative role to reach for the modern management to fulfill the interest of the company. This creates modern management and effective control as we will not exclude the mechanism that can be followed to activate self- and preventive control through the partner to monitor the Board of Directors' performance.

It is necessary to encourage the partner to participate in the company to serve the company's higher interests and to achieve its goals by expressing his opinion freely and transparently. The partner's right to attend the meetings of the general assembly cannot be violated at all, as this hinders the main objective that the modern management is looking for, which is effective management within the company

أثر فاعلية الشريك الايجابي على ادارة شركة ذات المسؤولية المحدودة في التشريع البحريني

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الملخص

تقوم هذه الدراسة على القاء الضوء على تشجيع الشريك النشط في ادارة شركة ذات المسؤولية المحدودة لما لها من فاعلية في تحقيق هدف انشاء الشركة. وتتم هذه الادارة من خلال تفعيل دورها في التنظيم بواسطة الجمعية العامة ومجلس الرقابة، وكما تهدف الدراسة إلى التأكيد ان الشريك النشط هو مركز الادارة الحقيقي للشركة ليصل بها للهدف والغاية التي أنشأت لأجلها، فلا بد ان يتعدى الدور الاداري التقليدي ليصل إلى الادارة الحديثة ومن خلالها يحقق مصلحة الشركة وسيتمكن من خلق ادارة حديثة وفعالة لأننا لن نستبعد في هذه الدراسة الآلية التي يمكن اتباعها لتفعيل الرقابة الذاتية والوفائية عن طريق الشريك لكي تتمكن من مراقبة اداء مجلس الادارة.

فلا بد من تشجيع الشريك على المشاركة في الشركة بحرية بما يخدم اهم مصالحها ويحقق اهدافها من خلال ابداء رأيه بحرية وشفافية، فلا يمكن المساس اطلاقاً بحق الشريك في حضوره اجتماعات الجمعية العامة لكون ذلك يعرقل الهدف الرئيسي الذي تبحت عنه الادارة الحديثة وهو ادارة فعالة داخل الشركة.

I. Introduction:

Limited liability companies have special attention in Bahraini legislation. The legislation attempts to protect middle-class merchants from any impact during an emergency or adversity. One example that has taken place in the last two years and still ongoing is the impact of Corona pandemic on companies' stability. There is no doubt that the concern in these types of companies is not only limited to the protection of middle-capital traders in the Kingdom of Bahrain, but it also has a great role in encouraging and attracting investment through corporate legislation that keeps pace with the modern economic era open to globalization. Bahraini legislation has adopted several amendments to the Companies Law. The latest amendment is the Bahraini Commercial Companies Law No. 28 for the year 2020⁽¹⁾ and this reflects the seriousness of Bahraini legislation to provide the right direction for these types of companies.

In general, there is no doubt that the idea of a 'company' is to achieve synergy and concerted efforts of individuals to invest their money in many economic fields, especially those who cannot practice it alone because of the need for large capital, efforts, and expertise. One of the most important challenges that faced the researcher in this study, and the reason prompting the research is the scaling of the partner in the company in a traditional manner with no consideration for his essential role in building the company and its stability. It is necessary to explore a new mechanism for a more effective management within the umbrella of the modern democracy for corporate governance to ensure the smoothness of voting. The researcher is keen on looking further into how to activate the administration in this type of company along with looking for legal implications of adopting the modern management in limited liability companies and that is by stimulating the role of the active partner. Moreover, this study is interested in considering the methods that the modern administration calls for to encourage the partner to manage a limited liability company. Because of the great demand for establishing a limited liability company and the importance of the partner in it, it is necessary to shed light on his role in the management in a modern way far from the traditional role. This will perceive the partner as an active participant in raising urgent or ignored issues during the General Assembly.

1. BCCL has been amended by Decree-Law No. 28 of 2020 by amending some provisions of the Commercial Companies Law issued by Legislative Decree No. 21 of 2001.

This study relies mainly on the analytical method; it deals with analyzing Bahraini legislation to figure out the obstacles that face the active partner in managing limited liability companies. Also, it proposes innovative solutions to activate modern management in this type of company.

II. The Legal Nature of the Limited Liability Company

This section of study deals with the legal nature of a limited liability company by highlighting the concept of the company and its main characteristics. Bahraini legislation emphasized in the text of Article (261)⁽²⁾ that: “A limited liability company is a company consisting of a number of people, and each partner is not liable except to the extent of his share in capital. It may be owned by an ordinary or legal person. It is not permissible to establish a company, increase its capital, or borrow for its account through public subscription, it may not issue tradable shares or bonds, and the transfer of partners’ shares in it is subject to the partners’ redemption, the special conditions included in the company’s contract, in addition to the stipulated conditions in this law.”

Accordingly, a limited liability company can be defined as a company consisting of two or more partners, and its capital is divided into shares among its partners, and it may be owned by one person. These shares cannot be publicly traded or offered on the Stock exchange, and each partner is only responsible for his provided share to form the company without access to his personal funds.⁽³⁾

It is noticeable from what was mentioned that there must be multiple partners in the company with the possibility of it being owned by one person. In contrast, Bahraini legislation emphasized, as stated previously, this type of company is established by a group of people. It is not permissible to establish it by one person, with the possibility of owning the company by one person and not being founded.⁽⁴⁾ As the liability of the partners is limited, and this is one of the main reasons why owners of small and medium capital choose this type of company because their financial responsibility is limited. This creates security and stability for them so that their personal funds will not be affected,

2. Commercial Companies Law No. 21 for the year of 2001 and its amendment.

3. Martin M. Shenkman, Samuel Weiner, Ivan Taback, Starting a Limited Liability Company, John Wiley & Sons, (2003), P3. Also see Angela Schneeman, Law of Corporations and Other Business Organization, 5th edition, Cengage Learning, (2009), P194. Also see Attorney Anthony Mancuso, Form your own limited Liability Company, 7th edition, Nolo, 2011, P4.

. Article 261 of BCCL.

and the company's creditors are limited to their guarantee in the company's funds, without access to the partners' personal funds.⁽⁵⁾

As Bahraini legislation emphasized the prohibition of public subscription in this type of company, it is not permissible to establish a limited liability company or increase its capital by borrowing through public subscription, and it is also not permissible to issue tradable shares or bonds. This is confirmed by Article (261) of BCCL in order to prevent securities speculation. This type of company has weaker financial security compared to other companies, such as a public shareholding company, in addition to the difficulty of knowing its financial position due to the listing on the Stock exchange. The public subscription is also a legal procedure aimed to offer shares to the public, and this contradicts the legal nature of the limited liability company, so it is feared that it will create confusion among the public who wish to contribute and participate in public shareholding companies.⁽⁶⁾

III. The Traditional Administration for the Partner

The idea of management is an essential issue for the success of any company. Good management leads the company to achieve its goal and objectives set in its Memorandum of Association. The legislation singles out legal texts related to management and recent amendments, trying to reach, if possible, idealism in the era of governance.

1. The Indirect Partner Management

Bahraini legislation allows each partner in a limited liability company to exercise his right to indirectly manage the company by attending the company's general assembly meetings. The right to attend is one of the attached rights to the partner, and it is not permissible to deprive him of it. Any condition affecting that right will be considered void, and there is no need to provide any condition for acquiring this right as long as the partner

5. Alson R. Martin, *Limited Liability Company and Partnership Answer Book*, Aspen Publishers, (2010), p:1-2. Also see Martin M. Shenkman, Samuel Weiner, Ivan Taback, *Ibid*, P:7. Also see: Angela Schneeman, *Ibid*, P,202. Also see Gordon H. Brough, *Private Limited Companies: Formation and Management*, Sweet & Maxwell, 2005, P3. Also see Joyce Dickey Palomar, *Limited liability companies ,corporations, General partnerships ,Limited partnerships, joint ventures , trusts— who does the title insurance cover?., Real Property, Probate and Trust Journal*, Vol. 31, No. 4 (1997), P633.

6. Abdul Rahman Abu Ghazla, *The Adequacy of the General Guarantee of Creditors to the Limited Liability Company in the Jordanian Companies Law: A Comparative Study*, PhD thesis, International Islamic University of Sciences, 2014, p. 32.

is registered in the company's registers. For example, the partner does not need a certain amount of shares to attend meetings or even prior approvals to attend, and it is not permissible to stipulate the contrary, and every condition that contradicts what was stated will be considered void.⁽⁷⁾

Therefore, a partner's attendance at the general assembly is the first and traditional means for the partner to manage the company. However, this study sheds light on the necessity of the partner's presence in the company effectively and the intention of sincere work to achieve the goal and purpose of the company. The issue of attendance reflects the extent of the partner's association with the company, his role, and his interest in achieving the goal of establishing the company. Therefore, the partner must be encouraged to attend those meetings and contribute significant insights and visions.

The partner's role is not limited to choosing the board of directors or appointing the supervisory board, but rather his role must be activated in a way that he feels responsible for the company in a spiritual way, not only limited to the company's papers, consequently, the goal of modern management from each partner is fulfilled.⁽⁸⁾

It is also worth noting that the presence of a partner in the general assembly is not enough for consultation and research in order to conduct the internal and external affairs of the company. In fact, there must be internal committees in each company whose goal and role are to choose the manager or managers and the supervisory board.⁽⁹⁾

2. The Mechanism of Partner's Practicing Traditional Indirect Management

The right to attend the general assembly meeting is where a partner can exercise his right in managing the company. It is the place where discussions take place to generate ideas to achieve the goal and purpose of the company. Here, the importance of the General Assembly in the management of the company and the oversight of managers, whether preventive and direct or

7. Article 284-A of BCCL.

8. Frank Dornseifer, *Corporate Business Forms in Europe: A Compendium of Public and Private Limited Companies in Europe*, sellier. European law publ, 2005, P42.

9. Simon Deakin, Helmut Koziol, Olaf Riss, *Directors & Officers (D & O) Liability*, Walter de Gruyter GmbH & Co KG, (2018), P,628. Also see Andreas Cahn, David C. Donald, *Comparative Company Law: Text and Cases on the Laws Governing Corporations in Germany, the UK and the USA*, Cambridge University Press, 2018, P577.

even indirect supervision, must be activated. It is necessary to activate this right and to confirm that the right to attend is based on a couple of issues. The first is the right to attend by himself, and the second is the right to claim to convene for the General Assembly meeting.⁽¹⁰⁾

Accordingly, what are the obstacles that the partner faces in convening the General Assembly? What is the nature of issues that the partner can raise in the meeting? Can a partner raise issues that deem urgent during the company's general assembly meeting?

Article (284-A) of BCCL stated that: "Every partner has right to attend the general assembly meeting by himself or through an agent on his behalf virtue to an official power of attorney, who is not a member of the supervisory board or the manager of the company, and each partner shall have a number of votes equal to the number of shares he owns in the company".

The following remarks can be made on the aforementioned text:

The legislation also emphasizes the issue of the personal nature of who represents the partner in attendance. He must not, in any case, be a member of the supervisory board or a member of the board of directors. It is not correct for the opponent and the judgment to be the same. In addition, it may lead the director to take advantage of the voting power of a representative in proportion to his ideas and interests, and this leads to an illegal benefit from these votes.⁽¹¹⁾

Among the issues that impede the existence of management and reduce the partner's role in the company is the lack of meetings of the company's general assembly. Article (283-B) stated that: "The general assembly is held at the invitation of managers at least once a year during the six months following the end of the company's fiscal year". There is no justification for the scarcity of holding these meetings to reach at least once during the six months following the fiscal year. This is a long period if real and modern effectiveness is desired to expand the partner's role within the company, especially since this type of company has small number of partners. Therefore, the possibility of holding a meeting is very common with the possibility of reaching a quorum easily. The process of communication in a limited liability company is easier and simpler to hold meetings and does not require formality or assignment in

10. Derek French, *Blackstone's Statutes on Company Law 2021-2022*, Oxford University Press, 2021, P738.

11. John E. Moyer, *the Law of Business Organizations*, Cengage Learning, 6TH Edition, 2004, P126.

the process of attending the meetings of the General Assembly. In relation, the legislation hopefully will reconsider and amend the text of the article and reduce the period to three months instead of six months to make it more compatible with the modern administration and help create more keenness and interest of the partner in the company and create a broader connection with the company and a commitment to work to achieve its goal.

Among the concepts that leads to the encouragement of the partner in modern management is to activate his role in holding the meetings of the General Assembly as stated in the text of Article (283- C) that: " The General Assembly is called to assemble at any time at the request of the managers, the supervisory board, the auditor, the ministry concerned with trade affairs, or a number of partners holding at least 10% capital". The idea of the text that came is the necessity of reducing the percentage of partners holding the 10% so that the partner's role becomes wider to ask if Bahraini legislation wants to instill the partner's confidence and emphasize his importance in the company. Therefore, reducing the percentage is an indication of the importance of the partner's role in the company.

Among the incentives that encourage modern management and create an active partner in this type of company is the necessity of informing the partner of the imminent convening of the company's General Assembly meeting at an appropriate time. This enables the partner to know the date of the meeting in advance; thus, it will grant him ample time to study issues in the interest of the company. In order to achieve the purpose and objectives of its establishment, the issue of notification of the meeting being held is registered with acknowledgment of receipt. The legislation enforced to inform the partner of the date of the meeting at least twenty-one⁽¹²⁾ days before the meeting. This is a sufficient time for the partner to study the topics scheduled on the meeting's agenda, and perhaps to present them to experts if the subject needs a specialized expert, and the legislation has done this well because it is beneficial for the partner who is looking for modern management in this type of company.

3. Towards More Active Partner's Role in Company

The active partner of the limited liability company is the main driver of the

12. Article 283-D of BCCL.

General Assembly meetings, especially during the meeting, where ideas and assumptions may appear through the presentation of views⁽¹³⁾. Accordingly, it is striking what Article (283-E) of BCCL stipulates, saying: "... Partners who owned at least 5% of the company's capital may request the inclusion of any issue in the agenda, and the request should be approved, and the partners are notified of this if it is submitted in writing within a period of no less than five working days from the date specified for convening the General Assembly, and signed by the partners who submitted it, and the number of shares owned by each of them is recorded therein. The General Assembly may not deliberate on topics other than those listed on the agenda unless urgent matters are known after preparing the agenda or during the meeting".

Thus, to what extent is the partner able to include a topic in the agenda of the General Assembly before and during the meeting? What is the mechanism used to include a topic on the agenda of the General Assembly meeting before it is held?

It is clear that the inclusion of an issue in the General Assembly meeting must be within a legal framework, as stated previously. The partner must hold a total of 5% of the company's capital, specifying the 5% is either represented by only one partner or it may be represented by a group of partners owning 5% while in reality there is no justification for providing that percentage. This is the opposite of what the modern management calls for to encourage active partner in the management. The rule is that the partner is the company's center, so the partner must be allowed and encouraged to include any matter he deems necessary without any obstacles or restrictions. Such conditions may lead to limiting the partner's role in the company, especially if we encourage the active partner to manage. Then, the text must be amended by allowing any partner to include any topic he deems important, focusing on the interest of the company and cannot be postponed.

Among the assumptions that may appear is that the meeting was convened and during the convening, an issue emerged, and it must be included directly in the agenda of the general assembly, and the appropriate decision should be taken. Bahraini legislation answered that assumption through the text of Article (283/E) of BCCL, by saying: "..... The General Assembly may not deliberate on topics other than those listed on the agenda, unless urgent

13. Andreas Cahn, David C. Donald, *Ibid*, P593.

matters are known after preparing the agenda or during the meeting".

This leads to the following question: Does the partner need certain conditions in order to use his right to include an issue during the general assembly meeting?

The following observations can be concluded:

1. It is deduced from the term "may not" in the context of the text of Article (283-E) that any partner is prohibited from raising any issue related to the meeting of the General Assembly unless it is already set on the agenda of the General Assembly. This is an issue that limits the partner's activity in the company. It is quite the opposite of modern management which calls for active partners to manage companies. It is necessary to use methods and patterns that make the partner aware of his active role that ultimately achieves the goal and purpose of establishing the company, especially since this type of company is inherently small, so the issue of attendance and everything related to the organization of this meeting can be controlled.
2. Modern management always calls for transparency in the communications between the partner and the company. It is noted from the previous article that the partner should take any necessary action in the case that his request to include a specific issue in the meeting agenda is rejected. There must be a procedure that protects the active partner who wants to enhance his role in the company. Modern management always encourages the active partner to show his abilities and potential in the company, especially during the General Assembly meeting.

IV. Towards modern Management in Limited Liability Companies

It must be emphasized that the idea of management is one of the essential issues for the success of any project, and to achieve this goal there must be an effective way to exercise this right. The idea of modern management in a limited liability company is to activate the partner's role by exercising his right to manage by voting in the General Assembly without any obstacles or conditions.⁽¹⁴⁾

1. Is the Vote An Indicator of the Company's Democracy?

A vote is considered as the main mean of expressing the partner's will and making decisions in the company. However, this right may clash with the

14. John E. Moyer, *the Law of Business Organizations*, Cengage Learning, 6th Edition, 2004, P126.

issue of a capital majority and a numerical majority which shall be discussed later. There is no doubt that the legal nature of the right to vote is one of the fundamental issues related to public order in Bahraini legislation, which cannot be violated.⁽¹⁵⁾

There is no doubt that the legislation has adopted the idea that each share has a vote. It is expressed by the principle of proportionality of shares with votes, so that the votes are proportional to the shares owned by the partner and⁽¹⁶⁾ this was confirmed by Article (284) of BCCL by stating, "...Each partner shall have a number of votes equal to the number of shares he owns in the company..."

2. The Impact of The Idea of Numerical Majority and Capital on the Right of the Partner in Management.

The idea of the numerical majority and the majority of the capital comes from the fact that the latter necessitates the presence of partners in the General Assembly meeting who own 51% of the capital. The majority percentage may show the seriousness of decision-making, contrary to the idea of a numerical majority which depends on the number of partners attend in the general assembly meeting on the day of voting regardless of the percentage of capital attendance.⁽¹⁷⁾

It is worth noting that the idea of the majority of the capital is not a novel or new idea in the Bahraini legislation. The legislation had previously adopted that idea regarding a manager's dismissal, whereas he explicitly stated in the case of the desire to dismiss the board of directors highlighting the majority of the capital should be available instead of the numerical majority, and he applied this issue in amending the company's contract.⁽¹⁸⁾

15. International Business Publications, USA Russia Company Laws and Regulations Handbook, edition 2012, P128. International Business Publications, USA Kazakhstan Company Laws and Regulations handbook, 2012, P102. Roman Tomasic, Stephen Bottomley, Rob McQueen, Corporations Law in Australia, 2nd edition, The Federation Press, Sydney, Australia, 2002, P279. Cornelis de Groot, Corporate Governance as a Limited Legal Concept, Kluwer Law International, The Netherlands, 2009, P187.

16. Martin M. Shenkman, Samuel Weiner, Ivan Taback, Ibid, P116. Also see Andreas Cahn, David C. Donald, Ibid, P575.

17. Martin M. Shenkman, Samuel Weiner, Ivan Taback, Ibid, P122.

18. Scott E. Friedman, How to Profit by Forming Your Own Limited Liability Company, Dearborn Trade Publishing, 1996, P63.

Bahraini legislation emphasized that the company's contract is the company's constitution, and that is why the legislation had to protect the company's contract so that it would not be affected or amended except by a strict majority. This is confirmed in (285-A) by stating, "...it is not permissible to amend the company's contract, nor to increase or decrease its capital, except by a decision of the General Assembly of partners, issued by the majority of the partners who own three quarters of its capital, unless the company's contract provides for a higher percentage..."

It is noteworthy that the legislation relied on the majority of capital regarding the amendment of the company's contract and also applied it to the increase and decrease of the corporate capital in the company. As it is known, increasing the company's capital may be needed to expand the scope of its business and activities, or even due to the existence of an economic depression or an economic recession within its financial system, so it resorts to the issue of increasing capital. Because of the sensitivity of this issue, the legislation linked it to a capital majority instead of a numerical majority. The reason is that the idea of the increase itself leads to the partial establishment of a new company, so it was necessary to link it with strict approval. Article (285-A) of BCCL stipulates that: "it is not permissible to amend the company's contract, nor to increase or decrease its capital, except by a decision of the General Assembly of partners, issued by the majority of the partners who own three quarters of its capital, unless the company's contract provides for a higher percentage". Bahraini legislation has done this well, and this is more consistent and realistic to activate the partner's role in the company.⁽¹⁹⁾

3. Good Oversight is the Basis of Modern Management

The idea of oversight of managers' works by the partner is reflected in his authority to examine the company's papers and documents and to direct the board of directors in proportion to the goal and objectives of establishing the company. The partner's relationship with the managers begins with his ability to vote by appointing and dismissing them from the management.⁽²⁰⁾

The role of the partner in a limited liability company is not only related to management, but rather his role appears in monitoring the work of the managers in the company, and the role of the supervisory partner is through

19. Angela Schneeman, *Ibid*, P219.

20. Martin M. Shenkman, Samuel Weiner, Ivan Taback, *Ibid*, P123. Also see Angela Schneeman, P214.

reviewing and investigating the company's documents.⁽²¹⁾

Modern management calls for the partner to have an effective role in monitoring the management's behavior and staying on the right track. The ability of this board is to implement the policies and plans of the General Assembly to achieve the goal and objectives of its establishment. In the modern context, the partner's supervisory on the board of directors through reviewing the papers and documents related to the company without preconditions or obstacles that the board of directors may impose, allows him to ensure that the management does not deviate from the specified goals. The partner can also ensure that the board of directors conducts its business in accordance with the laws and regulations and not based on impulsive thoughts.⁽²²⁾

Thus, the partner has an important role in the internal oversight of the company for the performance of the management. Instead, this oversight is the oversight of his duty, and this idea must be inculcated in the partner since his accession. Article (282) of BCCL stipulates that "if the number of partners does not exceed ten, and it is not stipulated The Certificate of Incorporation is based on the establishment of a supervisory board. Partners who are not managers have the right to monitor the managers' work, and they may review the company's books and documents for themselves, in accordance with the rules established in Article (46) of this law, and any condition to the contrary is void."

To achieve effective modern management for the partner, the right of access to papers and documents must be facilitated directly and smoothly without any obstacles, such as considering this information among the issues that should not be viewed because it is related to the security of the company, and any condition or obstacle that leads to depriving the partner from activating the right of oversight is void.⁽²³⁾

4. Role of Partner in the Supervisory Board

The idea of a supervisory board is one of the distinctive issues in a limited liability company because of its multiple roles. An individual partner feels confident and secure over his money in the company, which enhances the

21. Angela Schneeman, *Ibid*, P,209.

22. Jianhong Fan, Alexandre Dias Pereira, *Commercial and Economic Law in Macau*, Kluwer Law International, 2011, P51.

23. Jianhong Fan, Alexandre Dias Pereira. *Ibid*, P51-52.

company's stability. In order to set up a supervisory board, conditions must be met by Article (280) of BCCL, which stipulates that: "If the number of partners is more than ten, and the company does not have a board of directors, a supervisory board of at least three partners for a specific period must be appointed in the articles of association." Accordingly, these conditions can be deduced from what is stated in the text: The first condition: the number of partners in the liability company exceeds ten people, and the second condition: the company's establishment articles do not stipulate a board of directors. If these two conditions are met, the law requires a supervisory board.

Therefore, why did Bahraini legislation link the availability of a certain number of partners in the company to form the supervisory board? Are organizational or financial difficulties the main reason for such conditions?

It is to be noted that the organizational difficulties can be overcome even though the number of people in the company is few. The presence of a supervisory board gives an indication of the seriousness and keenness to monitor the work of the board of directors instead of the oversight being carried out individually. As for the financial difficulties, it is stated explicitly in the text of Article (280) of BCCL that the Supervisory Board carries out its work free of charge, unless it is agreed to the contrary by the company's General Assembly.

Therefore, the fact that Bahraini legislation stipulates the necessity of having 10 partners to form the supervisory board and linking it to the necessity of not having a board of directors to establish it indicates the lack of seriousness of the supervisory board. It is believed that it is necessary to amend the condition for the availability of 10 partners to 7 partners, because reducing the number increases the possibility of the existence of such board, and the abolition of the requirement of having a board of directors leads to a seriousness to take the collective oversight approach through the active partner who is looking for the interest of the company in the first place.

It is noted from the text of Article (280) that the initial appointment of the supervisory board is done through the company's founders, and later they are elected through the General Assembly. It is believed that it is better not to choose them for the first time based on the founders' impulsive decisions. Instead, it is better to have a supervisory board appointed for the first time by the General Assembly.

The Supervisory Board is the right hand of the General Assembly to exercise the right of oversight over managers. Therefore, it is best that Bahraini legislation takes this approach by exempting directors from participating in any vote to select the Supervisory Board. , Due to the sensitivity of this issue, it is not reasonable to choose who is to supervise the other. It is to be noted that the transparency of the work appears between the Supervisory Board and the board of directors, and this is confirmed by Article (280) of BCCL “... the directors shall not have a vote in electing or dismissing members of the supervisory board.”

Article (280) of BCCL stipulates a set of competencies that the supervisory board can exercise in order to achieve the goal and objective of the company. Undoubtedly, the competencies of the partner in the supervisory board are diverse, including asking the board of directors for a detailed report on the state of their management. This allows the partner in the supervisory board at any time to request the board of directors to provide him with the company’s books and documents. The partner in the board of directors is also entitled to request an inventory of the fund, merchandise, securities, and documents evidencing the rights of the company. The partner in the supervisory board also has the right to oversight the company’s budget and the mechanism for distributing profits, and one of the competencies of the partner in the supervisory board is to write a report on everything related to the management of the board of directors and provide it to the General Assembly. It is noticeable that Bahraini legislation in this regard is keen to create preventive oversight by actively integrating the partner into the company and instilling modern thought in management and the best legislation by following this approach.

V. Conclusion:

The choice to establish a limited liability company is due to several reasons, including the limited liability of the partners. This is one of the striking reasons that attracts small traders to establish limited liability companies. With small and medium capital, a small number of partners increases management’s extent of control.

Among the findings of the researcher: Bahraini legislation emphasized the time period required to invite the partner to attend the General Assembly meeting, which is within twenty-one days, and to send him the agenda in

detail, allowing the active partner to formulate his ideas and formulate his opinion smoothly. Additionally, Bahraini legislation emphasized that the partner's oversight is preventive so that the resolution must be presented to the general assembly or internal self-censorship, so each partner exercises the right to supervise the company's business and to get out of the negatives that have appeared. It is necessary to reconsider some provisions of the Companies Law, and to formulate its provisions to ensure the protection of the partner from any prejudice, and among these recommendations:

It is hoped that the Bahraini legislation amends the text of Article (283-E) regarding the condition of owning 5% of the capital to include a specific topic in the General Assembly meeting, and to allow the partners to include what they deem appropriate without condition or restriction.

In order to achieve real and effective oversight, it is necessary to amend Article (280) of BCCL, concerning the conditions that must be met for the establishment of the supervisory board. This would result in a reduction in the number of partners from the supervisory board and the abolishment of the board of directors. This study urges Bahraini legislation to expand the scope of the idea of oversight by explicitly stipulating the possibility of disbursing wages to the supervisory board. Bahraini legislation hopefully will amend the text of Article (280) of BCCL so that the General Assembly chooses the supervisory board without resorting to the founders when choosing the board for the first time.

It is noted that the text of Article (283-E) of the BCCL appears to be devoid of any action in the event of managers refusing to include a topic submitted by one of the partners to be put on the agenda of the General Assembly. Therefore, it is hoped that this issue will be viewed carefully so that there will be a clear mechanism in place in case the board of directors refuses to include topics by the partner.

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