Amendments to the Qatar Commercial Companies Law

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Analysis

The Qatar Commercial Companies Law, Qatar Law No. 11/2015 (the Companies Law) has recently been amended by Qatar Law No. 8/2021 (the Amending Law). The Amending Law introduces significant changes to the Companies Law, enhancing the legal and regulatory framework in the State of Qatar. The Amending Law was published in the Official Gazette on 8 August 2021 and came into force on 7 September 2021, 30 days after its publication.

The substantive changes introduced by the Amending Law relate to, amongst other things, the governance of companies; anti-money laundering and counter-terrorist financing (AML/CTF); attendance and voting at general assembly meetings; disclosure and reporting requirements; conflicts of interest; and ownership of shares by subsidiaries. The Amending Law also introduces changes to align the Companies Law with the Qatar Financial Markets Authority (QFMA) Board Decision, Qatar Financial Markets Authority Decision No. 5/2016 issuing the QFMA's Governance Code (the QFMA's Governance Code). The key changes introduced by the Amending Law include:

CORPORATE GOVERNANCE

The Amending Law strengthens the rules on conflicts of interest and recognises the concept of senior executive management. The Amending Law requires the chairman, members of the board of directors, and senior executive management of a public shareholding company to periodically disclose to the general assembly the positions they occupy, whether in a personal capacity or as representatives of other legal persons. A member of the senior executive management of a company is not permitted to participate in any business or activity that competes with the business or activity of the company, unless approval is obtained from the general assembly. This restriction on participation in competing business previously only applied to the chairman and members of the board of directors.

In addition, the Amending Law prohibits the chairman of a listed company from acting as a member of any board of directors' committee specified in the QFMA's Governance Code, including the Audit Committee, Nomination Committee and the Remuneration Committee.

The Amending Law made it a mandatory requirement for one-third of the members of the board of directors of a public shareholding company to be independent members. It also introduces a requirement for the majority of the members of the board of directors to be non-executive members, who do not receive a salary and whose participation in the management of the company is limited.

In addition to the above, the Amending Law introduces a number of additional measures that a chairman, board of directors and senior executive management of a public shareholding company must comply with, including but not limited to disclosure to the board of directors or the general assembly (as applicable) of any direct or indirect interest in the transactions of the company.

Furthermore, the authority of the chairman has been expanded under the Amending Law to allow the chairman to delegate powers not only to the board of directors, but also to the senior executive management. The chairman has to specify the duration and subject matter of such delegation.

The Amending Law introduces the definition of a minority shareholder, which is consistent with the QFMA's Governance Code. It further protects the rights of minority shareholders by requiring that an offer be made to the minority shareholders in case of an acquisition of 50% or more of the company's share capital. Additionally, under the Amending Law, the articles of association of a public shareholding company may allocate one or more seats on the board of directors for representatives of minority shareholders, and one seat for a representative of the employees in the company.

SHARES

An important change introduced by the Amending Law allows the articles of association of a public shareholding company to provide a class of shares with privileges with respect to voting rights, profits, liquidation, or other matters. The requirements and conditions of preferred shares will be determined by a decision of the Minister of Economy and Commerce (the Minister).

AML/CTF

The Amending Law stipulates that the Minister will issue regulatory decisions for the purposes of satisfying the requirements set forth in the AML/CTF Law Number 20 of 2019. These regulatory decisions will determine the data and records of companies that must be maintained, and the manner in which such data may be accessed and disclosed to the regulators. Additionally, the decisions will determine the requirements of and duration for maintaining the data, and the procedures that the shareholders and managers must comply with regarding disclosure of information.

GENERAL ASSEMBLIES

The Amending Law stipulates that a general assembly meeting of a public shareholding company may be held through means of modern technology, and that shareholders may attend and vote in general assembly meetings through electronic means, in accordance with the guidelines specified by the Ministry of Economy and Commerce (the Ministry) and the QFMA.

In addition, while the Companies Law previously required the board of directors to notify the Ministry of the general assembly' s resolutions and provide it with a copy of such resolutions within 15 days of their issuance, the Amending Law removed such requirement, and instead requires that the board of directors implements the resolutions immediately upon their issuance.

Furthermore, under the Amending Law, the board of directors is required to invite shareholders to attend a general assembly meeting at least 21 days before the meeting is held, as opposed to the previous timeline of 15 days.

Previously, the shareholders of a public shareholding company were not permitted to take decisions in extraordinary general assembly meetings to alter the objects of the company set out in its articles of association. This is no longer the case under the Amending Law, which allows shareholders to take such decision, subject to the terms and conditions in the Companies Law.

SUBSIDIARIES

The Amending Law prohibits subsidiaries of holding companies and public shareholding companies from owning shares in their parent companies.

LISTING ON THE QATAR STOCK EXCHANGE

The Amending Law removed the restriction under the Companies Law that prohibited private shareholding companies from trading on the Qatar Stock Exchange, although the process and requirements for trading have not yet been determined by the Ministry or the Qatar Stock Exchange.

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