

Bahrain

Chamber of commerce:

Bahrain Chamber of Commerce & Industry
PO Box 248
Manama
Bahrain

Tel: +973 229555

Fax: +973 224985

Professional body:

Bahrain Bar Society
PO Box 5025
Manama
Bahrain

Tel: +973 720566

Contact: Hassan Radhi

Hugh Stokes

Al Mahmood & Zu'bi Bahrain

The past 12 months have seen a number of developments in the investment environment of Bahrain, but little in the field of corporate structure.

Overall, however, the climate for overseas investment has liberalized, and the government of the Kingdom of Bahrain has taken a number of measures to make the Kingdom an attractive place for investment.

New legislation

Legislation is in draft and under consideration in at least two fields.

First, a central bank law has been planned for some time. This will regulate the functions of the central bank (the Bahrain Monetary Agency).

Secondly, a draft trust law has been circulated for review, which will place the concept of trust on a statutory footing. At present, trusts in the common law sense are unknown, but a few years ago the Bahrain Monetary Agency issued a circular setting out conditions under which financial institutions can set up trusts. Little real advantage has been taken of this development. It is hoped that the new law will boost this part of the financial sector, which has (so far as investment in the Gulf is concerned) been dominated by the Channel Islands.

Corporate legislation

The *exempt company* form, set up in 1977, was not provided for in the 2001 Commercial Companies Law, and it was mandatory for exempt companies to convert to another form to comply with that law. However, in February 2005, the prime minister passed a resolution exempting exempt companies from converting.

Privatization

The trend in Bahrain (as elsewhere) is towards the privatization of large infrastructure projects. In July 2004, the first private power station development was set up, and is under construction at the time of writing. Others are in the planning stage. The port privatization process has also begun, a contract having recently been awarded to a consortium. Other privatization projects are expected to follow.

Company formation

Over the past year the government has set up the Bahrain Investment Centre, a one-stop shop for forming companies and registering branches in Bahrain. The Centre includes representatives of

(among others) the Ministry of Industry and Commerce, the Bahrain Monetary Agency, the Chamber of Commerce and the Ministry of Justice. This has proved a great help in setting up business.

Other recent moves to encourage businesses to set up in Bahrain have been a reduction in registration fees to a nominal figure, and the abolition of the requirement for a guarantee.

Real estate

After recent regulations allowing non-Bahrainis to purchase real estate in special areas, a number of striking developments have been initiated on reclaimed land. Non-Bahrainis and non-GCC nationals can now buy attractive houses and flats with many amenities for residence or investment. This is a trend that can be expected to continue and increase.

As well as the domestic market, some big commercial developments are under way, including the World Trade Centre and the Bahrain Financial Harbour, both of which will provide a large amount of commercial space for offices, shops and showrooms. Most of this development received Islamic financing, a trend that has gathered momentum in recent years.

Banking and capital markets

Recommended firms

Tier 1

Baker & McKenzie

Norton Rose

Tier 2

Al Mahmood & Zu'bi

Hassan Radhi & Associates

Qays H Zu'bi

Trowers & Hamblins

Tier 3

Ahmed Zaki Yamani

Allen & Overy

Taqi & Mohammed Ahmed

Mergers and acquisitions

Recommended firms

Tier 1

Norton Rose
Trowers & Hamblins

Tier 2

Al Mahmood & Zu'bi
Hassan Radhi & Associates
Qays H Zu'bi

Tier 3

Ahmed Zaki Yamani
Taqi & Mohammed Ahmed

Project finance

Recommended firms

Tier 1

Norton Rose

Tier 2

Baker & McKenzie
Trowers & Hamblins

Tier 3

Al Mahmood & Zu'bi
Hassan Radhi & Associates
White & Case

Ahmed Zaki Yamani

Ahmed Zaki Yamani is a Saudi Arabian lawyer who is represented in Manama by Omar El Mardi, admitted both in his home country of Sudan and in Bahrain. El Mardi's office is the only independent foreign firm in the jurisdiction. The firm has three partners and five associates involved in corporate and commercial law, offering conventional and *shariah*-compliant financing advice, as well as general corporate law, company foundation and insolvency.

Key contact partner

Omar El Mardi

Al Mahmood & Zu'bi

Hugh Stokes of Al Mahmood & Zu'bi is one of Bahrain's top commercial practitioners, and advises numerous international businesses and banks. The firm was established in 1971 and has garnered a good reputation in all areas of corporate law.

Leading lawyers

Hugh Stokes
Hatim Zu'bi

Key contact partners

Ma'awia El Nayal
Hugh Stokes
Hatim Zu'bi

Baker & McKenzie

Baker & McKenzie's Manama office is staffed by two partners and three associates, and has a strong emphasis on banking and finance advice. "We have a very, very good experience with Baker & McKenzie – they are the law firm of choice," said a client. Ian Siddell, the firm's head partner, recently advised the

Samba Financial Group on the formation of a \$1.6 billion euro medium-term note (EMTN) programme, followed by the issue of an initial \$500 million tranche of floating rate notes under that programme.

Siddell also followed up last year's role advising the lead arrangers of a SR6 billion (\$1.6 billion) term facility to Saudi Electricity Company, increasing the total value of the loan to SR9.5 billion (\$2.53 billion). His recent experience in Islamic finance was sought by the borrowers of a SR1 billion (\$267 million) *murabaha* (deferred sale) facility with Deutsche Bank. He is also providing counsel to Saudi Basic Industries Corporation (Sabic) and Yanbu National Petrochemical Company (Yansab) in relation to the multi-sourced \$3.5 billion financing of a petrochemicals project.

Siddell is assisted by Julie Alexander, whose recent project finance work includes acting for the arrangers in another petrochemicals deal with the Advanced Polypropylene Company. The pending transaction has a value of \$411 million and SR200 million. The partners attract praise from banking clients: "They are both outstanding practitioners, especially with project and limited recourse finance. They have a very good understanding not just of the law but also the local practicalities," said one.

On the borrower side, Alexander is advising the Saudi Formaldehyde Chemical Company on a \$244 million and SR183 million project financing deal, and she has also been involved in the steel sector, advising the lenders in relation to the \$153 million construction and operation of a stainless steel plant. Alexander also acts on traditional banking matters; for example, she advised the lenders in connection with Integrated Telecom Company's SR450 million term loan and letter of credit facility, and Maan Al-Sanea's SR1.25 billion term facility.

Leading lawyers

Julie Alexander
Ian Siddell

Key contact partners

Julie Alexander
Ian Siddell

Hassan Radhi & Associates

Hassan Radhi & Associates is a 32-year-old practice with two partners and two associates specializing in corporate matters. It has established itself as one of the country's top firms in banking and M&A, though it also advises on company formation and ancillary issues including intellectual property, insurance and litigation.

Hassan Radhi and Jalila Ahmed, a partner since 1994, have built a wide base of regional clients including Coca-Cola Middle East, HSBC Bank Middle East, BNP Paribas, Arab International Bank and the Bahrain Ship Repairing & Engineering Company (Basrec).

In 2005, the firm advised a consortium of lenders on the financing of a new energy company in Bahrain. The transaction entailed the review of various agreements and the issuance of an opinion on the legality of the venture and the enforceability of the related documents. Other key financing deals included acting for a local bank in connection with a \$250 million loan, and advising two UK banks on facilities of \$63.5 million and \$20 million.

This year has also been demanding, as the firm has provided counsel relating to the establishment of various companies. At the time of writing it was acting as local adviser to a leading English law firm with respect to more than \$150 million in loan

facilities to a Bahraini manufacturing company, and also with respect to the acquisition of shares in a leading local company.

Besides Arabic and English, the firm offers services in Hindi and French.

Leading lawyer

Hassan Radhi

Key contact partners

Jalila Ahmed
Hassan Radhi

Norton Rose

Norton Rose's Manama practice has continued on an upward curve in the past year with the arrival of five new lawyers from the firm's London office and from competitors in Hong Kong and Australia. The increase in staff more than compensates for the loss of Mohammed Paracha, a promising Islamic finance specialist, who moved to Al Salam Bank.

Al Salam was set up by the Albaraka Banking Group and listed on the Bahrain stock exchange in April. The \$580 million initial public offering (IPO) of Albaraka was a landmark for Norton Rose, not just because it resulted in the loss of a senior associate, but also because it has generated a number of instructions from members of the Albaraka group in the Middle East, Africa and the Indian sub-continent. Another noteworthy IPO in Bahrain was that of Ithmaar Bank, on which the firm advised Abraaj Bank as co-underwriter.

Dominic Harvey is active in project finance matters, and his team has recently advised on a number of projects in the steel industry, real estate, and water and cooling infrastructure developments. Among them was the expansion of a steel mill owned by the Qatar Steel Company, worth \$560 million. The firm also acted for the Liquidity Management Centre in its \$134 million funding of the building of two towers, a mall and harbour redevelopment in the Bahrain financial harbour project. The financing was made through the issue of *shariah*-compliant *sukuk* (financial certificates).

One of Norton Rose's key strengths is providing Islamic financing advice to collective investment schemes. For example, the Bahrain office has recently worked in this capacity with the Atlas Investment Group, Bags Holdings and the National Technology and Enterprises Company.

Leading lawyer

Dominic Harvey

Key contact partner

Dominic Harvey

Qays H Zu'bi

In terms of numbers, Qays H Zu'bi is a relatively large firm. In addition to Zu'bi himself, the firm has one other partner, UK solicitor Grahame Nelson, and nine associates, all of whom practice corporate and commercial law. The firm's presence spans the Middle East, through two offices in Manama and one in Dubai. Consequently, Qays H Zu'bi's client list includes a number of Emirati entities, as well as regional banks and government bodies.

The firm provides advice on banking and finance, including *shariah* compliance, project finance, capital markets and securities, M&A, company establishment and other aspects of commercial law.

A core part of the business is advising financial institutions on the marketing of products in Bahrain. The firm recently advised a leading US bank with respect to its services in foreign exchange, over-the-counter derivatives and repurchase transactions, reverse repurchase transactions and buy- and sell-back transactions. One of France's top insurance companies turned to Qays H Zu'bi for

counsel in the marketing and sale of structured notes to investors, both through private placement and public offering.

Zu'bi's team also took part this year in the \$200 million IPO of a Bahraini investment bank, and a \$25 million bond issue, also for a domestic investment bank, and represented bidders for two significant privatization projects – the Mina Salman port and the Al Hidd power plant.

Other recent assignments include the restructuring of a group of real estate companies. The deal comprised aspects of due diligence, company foundation, alteration of existing companies, asset and liability transfer between the various companies and representation before local authorities. It has also been advising a client which is setting up a financial reference business in the Gulf region. Qays H Zu'bi has acted as both local and general counsel, and drafted numerous documents in the transaction.

Key contact partner

Qays H Zu'bi

Trowers & Hamblins

UK firm Trowers & Hamblins has offices across the Middle East, and its team of eight lawyers in Manama is a leading all-round practice for banking and commercial work. The firm is spear-headed by Dominic O'Neil, who has recently been advising Bahrain Financial Harbour Holding in relation to the sale of commercial properties in Manama's \$1.3 billion financial harbour development. His group has also advised Arcapita Bank on the \$300 million leveraged financing of the Riffa Golf Club redevelopment and the \$950 million Bahrain Business Bay project. The firm has already received instruction from the joint venture of Arcapita and Stone Company, which will hold a large equity interest in the completed hotel, commercial and retail development.

Trowers & Hamblins drafts Islamic finance documents including *murabaha*, *ijara* (lease to own) and *istisna'a* (purchase by order) facilities, and retains Gulf Finance House as a client in this respect. Other significant bank lending work includes acting for Arab Petroleum Investments Corporation (Apicorp) as the arranger of a \$30 million syndicated financing deal with the Arab Drilling & Workover Company (Adwoc), and advising HSBC Bank Middle East as sponsor of the Arabian Real Estate Investment Trust (AREIT), an \$800 million Cayman Islands property fund.

On the transactional side, Neal Downes recently advised Al Jomaih Holding Company on its equity investment in Gulf Infrastructure, a holding company in the energy and metals sectors. Gulf Infrastructure also instructed the firm in relation to its acquisition of a stake in another company. Mohamed Jallal & Sons also sought advice on a joint venture with Schindler Pars International, a lift manufacturer. In the telecoms sector, meanwhile, the firm represented Viacloud on its purchase of Jomotel, as well as served as counsel on the company's private equity financing and distribution agreements. Finally, Trowers & Hamblins is retained as counsel by Solidarity Company, which recently sought advice in relation to the reorganization of its alliance with Friends Provident International.

Leading lawyer

Dominic O'Neil

Key contact partners

Neale Downes
Abdullah Mutawi
Dominic O'Neil